BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

THE ROLE OF ACCOUNTING PRACTICES IN ENHANCING FINANCIAL SUSTAINABILITY OF RETAIL BANKING IN ZIMBABWE.

BY

BLESSING NHAU

B224043B

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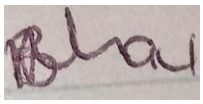
Signed……….

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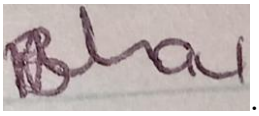
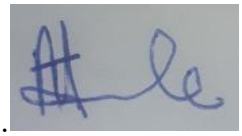
Student’s Signature: … Date: …19/08/2026……

Supervisor’s Signature… Date: 19/08/2026……

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ABSTRACT

This study examined the role of accounting practices in enhancing the financial sustainability of retail banking operations in Zimbabwe. The research as motivated by the persistent financial sustainability challenges facing Zimbabwean banks despite the existence of regulatory frameworks and internationally accepted accounting standards. The study sought to establish the relationship between accounting practices and financial sustainability, identify the accounting practices that contribute most to profitability, liquidity and solvency, assess the influence of International Financial Reporting Standards (IFRS) compliance on transparency and accountability and evaluate the effectiveness of internal control systems and financial reporting mechanisms. A post-positivist research philosophy and a descriptive correlational research design were adopted. Data were collected from 63 accounting and finance professionals drawn from 8 retail banks in Harare through structured questionnaires, supported by secondary financial data and key formant interviews. Quantitative data were analyzed using descriptive statistics, correlation analysis and multiple regression techniques, while qualitative data were analyzed thematically. The findings revealed a significant positive relationship between accounting practices and financial sustainability. The regression model explained 61.6% of the variation in financial sustainability, confirming the importance of accounting

practices in supporting sustainable banking performance. Among the accounting dimensions examined, IFRS compliance emerged as the strongest predictor of financial sustainability, indicating that effective implementation of reporting standards enhances transparency, accountability and stakeholder confidence. Internal controls, audit quality, risk based accounting and transparency were also positively associated with sustainability, although their effects largely overlapped with IFRS compliance. The study further established that strong accounting systems improve profitability, liquidity and solvency by strengthening governance, risk management and financial reporting quality. The study concludes that strengthening IFRS compliance and accounting frameworks is essential for improving the long term financial sustainability of retail banks in Zimbabwe.

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ABBREVIATIONS

AFDB	African Development Bank
BCBS	Basel Committee on Banking Supervision
CAR	Capital Adequacy Ratio
COSO	Committee of Sponsoring Organizations
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
IASB	International Accounting Standard Board
IMF	International Monetary Fund
LCR	Liquidity Coverage Ratio
NPL	Non Performing Loans
RBZ	Reserve Bank of Zimbabwe
ROA	Return on Equity
SME	Small and Medium Enterprise
WBG	World Bank Group
SPSS	Statistical Package for the Social Sciences

ECL	Expected Credit Loss

CHAPTER I

INTRODUCTION

1.1 Introduction

This chapter is an introduction to the research on the role of accounting practices in enhancing financial sustainability of retail banking in Zimbabwe. It provides a general picture of the researched problem and explains its relevance to the financial and economic landscape of Zimbabwe. The chapter begins with the background to the research, which frames the study at the global, regional and national levels, followed by problem statement, purpose of the study, research objectives and research questions. It further outlines the significance of the study, assumptions, delimitations, limitations and definitions of key terms used throughout the dissertation. Collectively, these components establish the theoretical and empirical justification for examining how accounting practices influence the profitability, liquidity, solvency and overall financial sustainability of retail banking institutions in Zimbabwe.

1.2 Background of the Study

The global banking industry operates within an increasingly complex financial environment characterized by volatile capital markets, heightened regulatory scrutiny and growing demands for transparency and accountability. At the core of institutional financial management lies the discipline of accounting, which serves as the principal mechanism through which organizations record, classify, summarize and communicate financial information. Sound accounting practices are widely acknowledged as indispensable enablers of financial sustainability, providing the informational infrastructure necessary for effective decision-making, risk management and stakeholder communication (IASB, 2023; World Bank, 2022).

The emergence of the International Financial Reporting Standards (IFRS) as the globally accepted framework for financial reporting has fundamentally transformed the way banks and other financial institutions prepare and present their financial statements. By adopting IFRS, institutions signal their commitment to transparency, comparability and accountability, which are prerequisites for attracting investment, maintaining regulatory compliance and sustaining long-term financial performance (Barth, Landsman & Lang, 2008; Soderstrom & Sun, 2007). In the context of banking, where depositor confidence and investor trust are critical, adherence to internationally recognized accounting standards constitutes a strategic imperative.

In Sub-Saharan Africa, the banking sector has witnessed significant reforms over the past two decades, with many countries transitioning from local accounting standards to IFRS in a bid to align their financial systems with international best practices. The African Development Bank (AfDB, 2022) notes that improved financial reporting standards have contributed to greater banking sector stability and investor confidence across the continent. However, implementation of these standards remains uneven, with many banks, particularly in frontier and emerging markets, continuing to face challenges related to institutional capacity, regulatory enforcement and the availability of technically skilled personnel.

Zimbabwe presents a particularly instructive case study for examining the relationship between accounting practices and financial sustainability in the retail banking sector. The country has endured decades of macroeconomic turbulence, including hyperinflation, currency instability, liquidity crisis and periods of significant financial sector distress. The hyperinflationary episode of 2007-2008, during which Zimbabwe recorded one of the highest inflation rates in recorded history, rendered conventional accounting frameworks virtually meaningless and exposed critical weaknesses in the financial reporting systems of local banks (Reserve Bank of Zimbabwe [RBZ], 2009; Makochekanwa, 2009). Numerous banks collapsed or were placed under curatorship and the credibility of financial statements issued during this period was severely compromised.

The adoption of a multi-currency system in 2009 marked the beginning of a gradual recovery of the financial sector, with several banks subsequently adopting IFRS to restore credibility and attract foreign capital. However, the reintroduction of the Zimbabwean dollar in 2019 and the subsequent re-emergence of inflationary pressures have once again placed enormous strain on financial reporting systems and tested the resilience of accounting practices within the banking sector (RBZ, 2021; IMF, 2022). Retail banks in Zimbabwe serve a critical function in the economy, providing deposit mobilization, credit allocation and payment services to a broad spectrum of individuals and small businesses. Their financial sustainability is therefore of both commercial and public policy significance and the role of accounting practices in sustaining this sector warrants systematic empirical investigation.

1.3 Statement of the Problem

Despite the pivotal role of accounting practices in maintaining the integrity of financial systems, retail banks in Zimbabwe continue to face significant financial sustainability challenges, with several institutions having been placed under curatorship or liquidated in recent years due to deteriorating asset quality, liquidity shortfalls and solvency concerns (RBZ, 2022). There is limited empirical evidence on the extent to which weak or inadequate accounting practices, including non-compliance with IFRS, deficient internal control systems and poor financial reporting mechanisms, may be contributing to these challenges. This gap in knowledge impedes efforts by regulators, policymakers and banking management to design targeted interventions that leverage accounting systems as instruments of financial sustainability and it is this gap that the present study seeks to address.

1.4 Purpose of the Study

The purpose of this study is to examine the role of accounting practices in enhancing the financial sustainability of retail banking institutions in Zimbabwe, with specific focus on the relationship between accounting practices and profitability, liquidity and solvency. The influence of IFRS compliance on transparency, accountability, effectiveness of internal control systems and financial reporting mechanisms in promoting sustained financial performance over the period 2015 to 2023.

1.5 Research Objectives

The study is guided by the following research objectives:

1. To examine the relationship between accounting practices and the financial sustainability of retail banking institutions in Zimbabwe.
2. To identify the key accounting practices that contribute to improved profitability, liquidity, and solvency in retail banking operations.
3. To assess the extent to which compliance with International Financial Reporting Standards (IFRS) enhances transparency and accountability in Zimbabwean retail banks.

4. To evaluate the effectiveness of internal control systems and financial reporting mechanisms in promoting sustainable financial performance.

1.6 Research Questions

The following research questions guide the study:

1. What is the relationship between accounting practices and the financial sustainability of retail banking institutions in Zimbabwe?
2. Which accounting practices have the most significant impact on profitability, liquidity, and solvency in retail banking operations?
3. How does compliance with International Financial Reporting Standards (IFRS) influence transparency and accountability in Zimbabwe's retail banking sector?
4. To what extent do internal control systems and financial reporting mechanisms contribute to the financial sustainability of retail banks?

1.7 Significance of the Study

Conceptually, this research has enriched the academic and scholarly literature through its attempt to introduce, inter alia, Agency Theory and Stakeholder Theory alongside the IASB structure in the setting of retail banking which gives the researchers an empirical evidence to link together the accounting practices adopted in an institution with its financial sustainability results in a country which is economically developing. As an empirical study conducted longitudinally and institutionally, it is Really key that it covers the gap of what existing research in accounting of retail banking and bank financial soundness does not address through the case of a single country: it is a longitudinal and institution-specific account of practices of accounting in Zimbabwean retail banks and their links with profitability liquidity solvency. This paper is a practical work of value to several sets of players.

1. Policymakers (Reserve Bank of Zimbabwe, or RBZ) should look to the evidence that this investigation puts forwards for the development and implementation of regulations to enhance transparency, accountability and financial stability in the banking system.

2. Bank managers: findings show them how through the use of accounting tools they can improve their profitability, liquidity and solvency thereby investing the scarce resources that a

company or organization can allocate wisely and efficiently, they can be better equipped for the work.

3. When it comes to professional accounting organizations, it is the role of the profession to be the driver of development: to this end, they are to pinpoint where training, advice and capacity-building efforts are most required to achieve good level compliance with IFRS standard and to deliver high-quality reports.

4. The research also serves to safeguard and secure the interest of the customers and holders of a bank's assets (i.e. depositors, bank stockholders) inasmuch as it is by their association with these accounting methods that financial capability of the banking houses, which are their investment, is identified. Through combining, at the end, these ideas, this piece of work offers us with an understanding on where to improve financial reporting standards in a country which could help to build-up internal control systems and align banking practices with broader economic policies of the state of Zimbabwe.

1.8 Assumptions

The study proceeds on the basis of the following assumptions:

1. Retail banks in Zimbabwe maintain accessible financial records, audited financial statements and internal audit reports that provide sufficient data for empirical analysis.
2. The financial statements published by the sampled banks reasonably reflect the accounting practices employed by those institutions.
3. Key informants including bank executives, finance managers and compliance officers, will provide honest and informed responses to data collection instruments.
4. IFRS, as adopted and adapted in Zimbabwe, provides a sufficiently standardized framework against which compliance levels can be meaningfully assessed across institutions.

1.9 Delimitations of the Study

The study is delimited to licensed retail banking institutions registered with the Reserve Bank of Zimbabwe, with a geographic focus on institutions headquartered in Harare, where the majority of retail banks operate and where the most comprehensive financial data are available. The temporal scope is restricted to the period 2015 to 2023, which encompasses significant monetary policy transitions, IFRS developments and regulatory reforms. The study does not

extend to investment banks, building societies, microfinance institutions, or other financial intermediaries whose accounting and reporting environments differ substantively from those of retail banks.

1.10 Limitations of the Study

The study is limited by a number of factors. The reliability of secondary financial data is subject to the quality of financial reporting by individual banks and given the documented challenges of financial reporting in Zimbabwe, some degree of measurement error cannot be entirely ruled out; triangulation of primary and secondary data sources will be employed to mitigate this risk. Respondent bias may also arise, as bank officials may be reluctant to disclose information about weaknesses in internal controls or reporting non-compliance and the geographic delimitation to Harare-based institutions limits the direct generalizability of findings to banks operating in other provinces, although these institutions account for the vast majority of retail banking activity in the country.

1.11 Definition of Key Terms

1. Accounting Practices: The systematic methods, procedures and principles employed by organizations in recording, classifying, summarizing and reporting financial transactions and events, encompassing financial reporting, management accounting, auditing and internal control systems (IASB, 2023).
2. Financial Sustainability: The capacity of a retail banking institution to maintain adequate levels of profitability, liquidity and solvency over the long term, enabling it to meet its financial obligations and continue operating as a going concern (BCBS, 2019).
3. Retail Banking: The provision of banking services, including deposit-taking, lending and payment services, directly to individual consumers and small-to-medium enterprises, as distinct from wholesale or investment banking (RBZ, 2021).
4. International Financial Reporting Standards (IFRS): A set of globally recognized accounting standards issued by the IASB that prescribe how specific transactions and events should be recognized, measured, presented and disclosed in financial statements.
5. Internal Control Systems: The policies, procedures and mechanisms established by management to provide reasonable assurance regarding the reliability of financial

reporting, the effectiveness of operations and compliance with applicable regulations (COSO, 2013).

6. Profitability: A measure of a bank's ability to generate earnings relative to its assets, equity and revenue, commonly assessed through Return on Assets (ROA) and Return on Equity (ROE).
7. Liquidity: The ability of a banking institution to meet its short-term financial obligations as they fall due without incurring excessive costs, assessed through the Liquidity Coverage Ratio (LCR) under the Basel III framework.
8. Solvency: The long-term financial health of a bank reflected in its ability to maintain capital adequacy in accordance with regulatory requirements, assessed using the Capital Adequacy Ratio (CAR).

1.12 Summary

This chapter has identified the research problem, its context, and rationale, establishing that while Zimbabwe's retail banking sector operates within a defined regulatory and reporting framework, persistent financial sustainability challenges suggest possible limitations in the accounting practices employed by these institutions. This chapter formulated clear objectives and research questions, explained the significance of the study, and outlined the scope, assumptions and limitations within which the research is conducted. The following chapter will present a comprehensive review of the existing literature on accounting practices and financial sustainability in the banking sector, elaborating the theoretical framework that underpins this study.

CHAPTER II

LITERATURE REVIEW

2.1 Introduction

This chapter presents an extensive literature review of the role of accounting practices in improving the financial sustainability of the retail banking operations. Using the guidance of the funnel method of academic research, the review starts with the conceptual and theoretical framework that develops the main terms and analytical frameworks in this study. Next, it provides a thematic literature review of available literature and structures the review around the major arguments and conclusions of about forty peer-reviewed sources published since 2018. Such a comprehensive involvement in the modern scholarship makes sure that the review can be seen as a reflection of the present level of knowledge, and the methodological approaches are carefully analyzed and the points of scholarly agreement and disagreement are discovered. The thematic organization cross-tabulates the results of geographical setting, both in developed economy and developing markets, with special consideration to the special plight of the developing economy like Zimbabwe. This section ends with a recognition of a definite research gap that the study seeks to fill and then a smooth transition into the methodology which is presented in Chapter Three.

2.2 Conceptual Framework

Further research is required on the connection between accounting practices and financial sustainability, and in order to proceed with the analysis, it is necessary to define the main concepts of the study in a clear and consistent manner. This theoretical framework gives the research the required restrictions on the investigation, which offers an element of accuracy and consistency throughout the review. To determine accounting practices, the use of the systematic processes, methods, and standards by an organization to record, classify, summarize, and interpret financial information are considered accounting practices for the purpose of this study. The practices underpin financial management, and they constitute a wide range of practices, which comprise financial reporting, implementation of internal controls, audit services and risk evaluation. These practices are not technical processes when it comes to the domain of retail banking but are pivotal to transparency, accountability, and informed decision-making (Moufty, 2021; Nakpodia, 2024; Alhassan

and Biekpe, 2023). The dimensions of accounting practices addressed in the study include compliance with the International Financial Reporting Standards (IFRS) to provide consistency and comparability in the financial statements (Zeghal and Mhedhbi, 2021; Khlif and Achek, 2020), the internal control systems aimed at protecting assets and ensuring the accuracy of the financial records (Almagbool, 2022; Salem and Ezeani, 2023), the risk based accounting practices like loan provisioning and fair value measurement to consider the credit, market and operational risks.

The dependent variable in this study is financial sustainability, which means the ability of the organization to serve its current liabilities and maintain its operations throughout a long period without negatively impacting its financial state and interests of its stakeholders (Moufty, 2021; Gherghina, 2021). This is a multi-dimensional idea in the retail banking industry, which is typically quantified by such indicators as profitability, or the ability to make sustainable earnings, often measured by Return on Assets (ROA) and Return on Equity (ROE) (Nguyen and Nguyen, 2021; Banna and Alam, 2022); liquidity, or the capacity of the bank to fulfill its short-term obligations as they become due, which is critical to depositor confidence and a stable operation (Fu and Lin, 2022; Rah To ensure that the study is operationalized, the measurement of these sustainability indicators will be done with the help of secondary data in the form of bank financial statements and, primary data in the form of structured questionnaires of the perceived levels of stakeholder confidence and institutional stability. To conduct this research, only accounting practices will be confined to those that are recorded in prudential reports by the Reserve Bank of Zimbabwe and audited bank financial statements, and not those practices issued by informal accountants with no regulatory control.

2.3 Theoretical Framework

The theoretical framework will serve as the interpretive lens that will be used in studying the relationship between the accounting practices and financial sustainability in this study. To conduct this study, Stakeholder Theory as formulated by Freeman (1984) and formulated later by Freeman and Dmytriyev (2021) and Harrison and Wicks (2020) would be the theoretical prism. The Stakeholder Theory is based on the premise that a longterm success and sustainability of any organization depends on how well the organization handles the relationship with every stakeholder and not only with its shareholders. Stakeholders would

represent any form or group of individuals who are impacted or have the ability to influence the organizational goals which would include employees, customers, suppliers, regulators, creditors and the community at large. Freeman and Dmytriyev (2021) explain that at the core of business, value creation is required, and an organization that is sustainable must create value to all its significant stakeholders following transparent and accountable practices.

The theory is especially relevant to the Zimbabwean banking industry where the retail banks are in a complex ecosystem where the most important currency is trust. The theory offers a framework on the role played by the robust accounting practices as the main mechanism through which obligations are met and expectations of various groups of stakeholders are met and managed. Transparent financial reporting and adherence to prudential rules indicate accountability and financial stability to regulators like the Reserve Bank of Zimbabwe thus gaining regulatory approval and a license to operate (Reserve Bank of Zimbabwe, 2024; Mewa and Mwangi, 2022). To the investors, and shareholders, investors are confident in internal controls and external audits of the strong nature of the financial statements that are being prepared, as right and in a timely manner (Chauhan and Mishra, 2023; Khan and Subhan, 2022). Depositors and other customers: To depositors and other customers, good accounting mechanisms will make them feel that their money is secure, they will avoid a repeat of bank runs and establish longterm relationships with customers (Pham and Nguyen, 2023; Trinh and Cao, 2022). To the community and the general public, open financial operations can lead to the overall stability of the financial system, which is a key public good, since the experience of bank failures in Zimbabwe in the past has shown that such failure has devastating socioeconomic implications directly attributable to bank sustainability, which is fundamentally related to the health of the community (Makoni and Sibindi, 2021; Chikoko, 2023).

The Stakeholder Theory provides the direction to this research as it helps to conceptualize the accounting practices as the system of technical compliance but not as the strategic tool of the stakeholder relationship management. It will thus analyze the relationship between changes in the quality of accounting practice and the indicators of stakeholder confidence such as the growth in deposits, regulatory rating and the stability of the institutions. This theoretical prism gives the terms and premise to be utilized in the analysis which is that accounting is not simply a technical role but a strategic tool of corporate management and

a long-term value generator to all stakeholders. The theory supposes that, the more positive relationships that organizations have with their stakeholders, the more likely that organizations will turn out to be financially viable, and that accounting practices are the major means of conveying organizational commitment to the interests of the stakeholders.

2.4 Conceptual Framework

The visual representation of the conceptual relationship between the accounting practices and financial sustainability can be described with the help of the framework, offered in Figure 1. The following diagram will reflect the hypothetical connections between the major variables of the research where accounting practices (independent variable) will have an impact on financial sustainability (dependent variable), and corporate governance and regulatory compliance are the mediating variables.

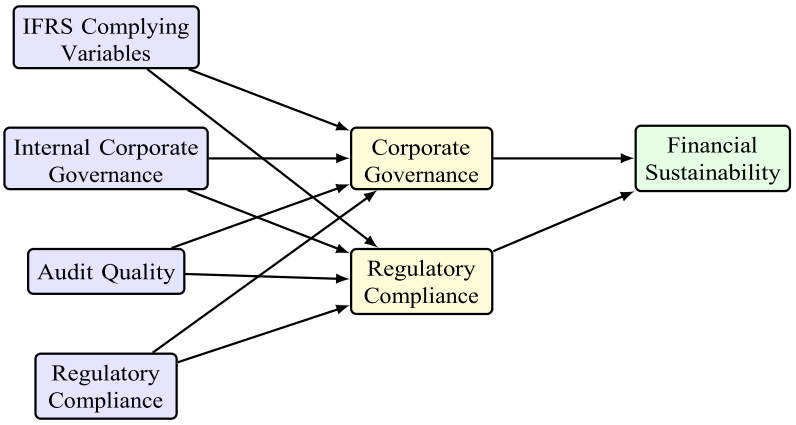


Figure 1 Conceptual Framework: The Relationship between Accounting Practices and Financial Sustainability

To achieve financial sustainability, the conceptual framework assumes that accounting practices, which include IFRS compliance, internal controls, audit quality, and risk-based accounting are the independent variables that have a bearing on financial sustainability, as demonstrated in Figure 1. The hypothesis of this relationship is that quality of corporate governance and compliance with regulations mediate the relationship, as an indicator of institutional environment in which retail banks operate. The feedback loop shows that the capacity of banks to sustain and enhance their accounting practice, which in its turn results in a greater financial sustainability, is reinforced by financial sustainability, forming a vicious circle of continuous improvement. The framework is therefore that the greater the accounting practice quality the better the financial sustainability due to better governance and regulation compliance mechanisms.

This part is the central point of the literature review and provides available scholarship in terms of major themes and discussions as opposed to being a chronological reference of authors. The review includes the summary of the findings of about forty peer-reviewed materials published since 2018 and gives a full and modern representation of the existing state of knowledge. The discussion critically analyzes the methodological approaches, points out where scholars have come to a consensus and disagreement, and also evaluates how the findings could be applied to the Zimbabwean context.

2.5 The Relationship between Accounting Practices and Financial Sustainability

A substantial and established literature indicates a causal and positive relationship between healthy accounting practices and financial sustainability of the financing institutions. Moufty (2021) presents an effective argument that accounting systems are the backbone of making financial decisions as they offer the data required to address strategic planning, risk management, and performance measurement, which is essential to survival over the long run. Based on this background knowledge, Nakpodia (2024) engaged in a qualitative study of twelve third-world economies and discovered that those banking institutions that had transparent accounting systems and reported on time were more financially stable and could endure economic shocks. Yet, a closer examination of the methodology of Nakpodia shows that the research was founded on questionnaires data, which can create a bias of self-reporting, but the author recognizes it, yet he did not cover this shortcoming completely. This is an important methodological issue since accounting quality perceptions and objective measures of the accounting practice implementation can be different.

In support of these results, using a more solid methodology, Tuyon (2022) utilized objective financial statement data of 150 banks being present in fifteen emerging markets. In their comparative research, Tuyon have reached the conclusion that the compliance with international accounting standards positively impacted decision-making processes, the level of confidence of the stakeholders, and the metrics of profitability and solvency in direct proportion. The application of objective financial data in the research by Tuyon makes the argument that accounting practice is major predictor of financial stability more believable since the research will not be influenced by the perceptual errors inherent in survey-based research. Building on this argument, Baldissera (2023) performed a longitudinal study of European financial institutions, monitoring the sustainability measures of financial

institutions under a five-year span of accounting system enhancement. The study by Baldissera gives strong suggestions of the time aspect of this correlation, showing that the advancement of accounting practices leads the advancement of the sustainability indicators by a period of between eighteen to twenty-four months.

Agyei and Mensah (2022) also used the quality of accounting information to analyze the relationship between the quality of accounting information and the performance of the banks in the West African Monetary Zone and realized that banks that have high-quality financial reporting have significantly higher profitability and lower non-performing loan ratios. On the same note, Okere and Ofoegbu (2023) have also carried out a comparative study of Nigerian and Ghanaian banks and have noted that accounting information systems quality was a more potent predictor of financial sustainability than the size of a bank or market concentration. Such African studies are specifically applicable to the Zimbabwean context, in that they have common regulatory policies and economic development issues.

Although all these studies have agreed, a counter-argument arises because of the efforts of Khaled (2022) and Ellili (2023) who state that the connection between accounting practices and sustainability depends on the state of macroeconomic stability. Even in volatile economies where hyperinflation and currency instability are the norm, these scholars argue that even the strongest accounting practices will be inadequate toward sustainability in case exogenous shocks engulf the banking system. Khaled (2022) found this contingency effect by revealing the positive correlation between the quality of accounting and bank stability using panel data based on seven countries that had gone through hyperinflation and found that the positive correlation decreased to a large extent during macroeconomic volatility. This point of view is especially applicable to the situation in Zimbabwe and implies that the results could not be transferred internationally without the contextual adjustment.

To make this relationship even more complex, Alhassan and Biekpe (2023) and Bolarinwa and Adegboye (2022) have demonstrated that the effectiveness of accounting practices in facilitating sustainability is related to the institutional environment, with the factors to be considered being the quality of regulatory enforcement and the quality of the corporate governance system. According to their research, the accounting practices do not just suffice but should be integrated in strong institutional frameworks in order to deliver the desired sustainability results. This knowledge guides the conceptual framework of the current study

that considers corporate governance and regulatory compliance as a mediating factor between the accounting practices and financial sustainability.

2.5.1 The IFRS role in improving transparency and accountability

One of the international regulatory trends in the effort to harmonize the accounting practice as well as enhance the credibility of financial reporting has been the adoption of the International Financial Reporting Standards. The IFRS Foundation (2023, 2022) says that these standards enhance transparency, accountability, and efficiency in the financial markets of financial markets around the globe. As it demands a fair and true perspective of the financial position of an entity, the IFRS should improve investor confidence and reduce the cost of capital. Nevertheless, there has been a disproportion in the translation of these desired advantages into reality in different jurisdictions, in particular in developing economies where institutional infrastructure could be less developed (Zeghal and Mhedhbi, 2021; Khlif and Achek, 2020).

A significant amount of literature has been done to discuss the effects of IFRS adoption on the quality of financial reporting in emerging markets. Zeghal and Mhedhbi (2021) analyzed a meta-analysis of 78 studies in 45 countries and found out that IFRS adoption has a positive impact on the quality of financial reporting, with a significant variation in the extent of improvement being largely dependent on the effectiveness of enforcement mechanisms and the quality of the legal environment. The same result has also been supported by Khlif and Achek (2020), who in their systematic review of IFRS research in the developing countries have found that the fruit of the IFRS adoption depends on whether there are well-developed audit control systems, judicial independence, and mechanisms of protecting investors.

Elbakry and Nwachukwu (2022) investigated the effects of adopting the IFRS on earnings management in banks in twelve African countries and discovered that the effects of IFRS adoption decreased earnings management practices but the magnitude of this decrease was higher in countries with higher regulation efforts. This study was expanded by Effiong and Akpan (2023) who showed that the standard of accounting information to investors in the Nigerian banks was enhanced by the adoption of the IFRS, making the financial statements more informative in investment decision-making. These reports indicate that IFRS adoption can be described as a necessary factor in increased transparency but not a sufficient one, such institutional changes should be accompanied by meaningful institutional changes.

In Zimbabwe, the adoption of IFRS had been required by the reserve bank of Zimbabwe as part of more comprehensive financial sector reform agenda after the banking scandals of the early 2000s. Makoni and Sibindi (2021) and Chipeta and Moyo (2022) point out that this requirement was aimed at enhancing the comparability of bank financial statements and adapting local practices to international standards. But their empirical studies showed that the implementation is still patchy, particularly within institutions, mostly because of the volatility of the economy, currency reforms and scarcity of accounting infrastructure. Makoni and Sibindi (2021) discovered that although all the banks purported to use IFRS in their financial statements, the intensity of the implementation was very different with small banks showing poorer compliance compared to larger banks.

The effects of IFRS on transparency and accountability in volatile economies are also discussed by Chikoko (2023) and Munzara and Chirisa (2022). According to the authors, though IFRS-related reporting, with its focus on fair value measurement and extensive disclosures, offers stakeholders a more realistic view of the quality of the assets of the bank, its risks and the overall financial health, the use of fair value measurement would be problematic in hyperinflationary contexts as there may be no consistent data available on the market. Chikoko (2023) proposes that it can be solved by improving the disclosure practices that explicitly reflect the uncertainties of the financial reporting, which implies that disclosure practices can intermediately reflect the relationship between the IFRS adoption and financial sustainability.

The World Bank (2023) and International Monetary Fund (2024) have warned that in hyperinflationary, the use of fair value of measurement and impairment accounting would be especially difficult, which may result in the financial statements that only mask the true financial position of a bank contrary to transparency. This conflict between the hypothetical ideals of IFRS and the effective issues of implementation in unstable economies is one of the key fields of investigation of the current research.

2.5.2 Internal Controls and Financial Reporting Mechanisms

Effective accounting is based on strong internal control systems. The Treadway Commission Committee of Sponsoring Organizations (COSO) framework (COSO, 2013) is the global standard in determining the effectiveness of the internal control, and internal control is defined as a process aimed to give reasonable assurance about the realization of

the operations, reporting, and compliance objectives. An extensive amount of literature has explored the connection between the quality of the internal controls and the performance of the organization in different settings.

In a detailed survey of Jordanian banks, Alzoubi (2022) revealed that a high-level of internal control systems was a key indicator of high profitability, reduced non-performing loan ratios, and enhanced operational efficiency. The research found segregation of duties, authorization procedures as well as reconciliation processes as the most important aspects of internal control effectiveness. In the same vein, Salem and Ezeani (2023) also explored the correlation between internal control quality and fraud prevention among the Palestinian banks and found that a bank with a strong internal control framework had by far lower rates of fraud occurrences and financial losses as a result of operational risks.

On the African case, Ogoun and Atube (2022) examined internal control practices in Nigerian banks and established that banks that had a well-developed internal control frameworks showed superior financial performance and resistance to economic shocks. The research observed that automated internal control systems in banks that had real-time monitoring and reporting systems performed better as compared to their counterparts who used manual control systems. This study was further expanded by Adegbite and Nakpodia (2023) who showed that the quality of the control environment, such as the attitude of the management to the controls and ethical behavior of the organization mediate the association between internal control quality and the bank performance.

The prudential guidelines issued by the Reserve Bank of Zimbabwe, have continued to highlight the fact that the poor internal controls are one of the leading causes of the mismanagement and collapse of banks (Reserve Bank of Zimbabwe, 2024, 2023). In the RBZ annual supervisory reports, it is recorded that banks which have poor internal control structure have continued to record higher levels of regulatory breaches and in worst-case scenarios have been put under curatorship. A study conducted by Makoni and Sibindi (2021) in the Zimbabwean context established a direct relationship between weak internal control systems, poor financial reporting, and financial distress in the end. According to their analysis of the financial statement data of the years 2005-2020, banks that were taken under regulatory intervention had much poorer indicators of internal control in the three years before the intervention than their stable counterparts. In contrast, banks that had strong

internal control systems were in a better position to control the operational risks as well as keep sound financial records.

The report of the International Monetary Fund on Zimbabwe released in 2024 in the Financial Sector Assessment Program remarked that one of the major line divisions that create a difference between a strong and a weak bank is the integration of automated financial reporting and risk management systems, which, in turn, are internal controls (International Monetary Fund, 2024). Not only do these systems enhance the accuracy of data, but they also allow real-time monitoring of the financial performance, and therefore solvency and liquidity risk management can be proactively undertaken. Similar points have been made by Mbona and Mhlanga (2022) and Makanyeza and Muzurura (2023), who asserted the significance of technology integration in the accounting system wherein digital transformation in accounting practices can greatly increase the efficiency and effectiveness of the internal controls.

2.5.3 Audit Quality and its contribution to financial accountability

The internal and external audit functions are very important in the accuracy and reliability of financial information. According to Almagbool and Zaid (2022), the definition of audit quality is the likelihood of an auditor to discover and report material misstatements in the financial statements, meaning that audit quality is an aspect of audit competence and audit independence. A large amount of literature has been done on the correlation between audit quality and financial reporting reliability in different settings.

In a thorough investigation of the connection between audit effectiveness and quality in UK banks, Ghafran and O'Sullivan (2021) discovered that audit committees that are more independent, have higher financial expertise and more frequent meetings had higher audit quality and reported more precise financial reporting. Appuhami and Tashakor (2022) also support these results by investigating the correlation between audit committee attributes and earnings management in Australian banks, where their result showed that the stronger the audit committee independence and expertise, the more they limited the opportunistic practices of managing earnings.

Baah and Ofori (2022) studied the correlation between the quality of external audit and the bank performance in Ghana and discovered that the bank that was audited by Big Four audit

firms recorded significantly higher profitability and lower non-performing loan ratio than those audited by smaller firms. This observation aligns with the signaling theory school of thought that argues that a high-quality auditor involvement can indicate a desire to be transparent and accountable which will increase stakeholder confidence. Mbanyele and Gumbo (2023) expanded on this study to South African setting and found the correlation between audit quality and bank performance to be more spread in economic uncertainty times when stakeholders are mostly concerned about the financial information credibility.

As it is stated in Zimbabwe, Makoni and Sibindi (2021) and Chipeta and Moyo (2022) are of the opinion that the banking sector has been experiencing audit quality issues with some banks also opting to change auditors regularly or by appointing auditors who have limited knowledge of the banking sector. The Reserve Bank of Zimbabwe has responded to these issues by laying down prudential rules that outline minimum audit rules and mandate banks to change audit firms on a periodic basis in order to ensure independence (Reserve Bank of Zimbabwe, 2024). Nevertheless, Chikoko (2023) mentions that the success of these regulations rests on the ability of the audit profession to deliver quality audit services, which can be limited by the limited scale of the audit market in Zimbabwe.
Many companies continue to prioritize risk-based accounting practices and financial stability, which have become particularly crucial in the period following the worldwide 2008 financial crisis.

Loan loss provisioning, fair value measurement and impairment accounting are risk based accounting practices that, especially in banking regulation, have gained prominence in the wake of the global financial crisis of 2008-2009. The history of the evolution of IFRS 9 accounting of financial instruments with a known expected credit loss model of loan loss provisioning has been widely reported by Ozili (2020) and Barth and Landsman (2023). According to this model, banks need to identify credit losses on the basis of the expected and not incurred losses that offer a better future-oriented evaluation of credit risk.

A study by Gebhardt and Novotny-Farkas (2021) studied the effect of the expected credit loss model on European banks, and the research established that the use of IFRS 9 led to credit losses being recognized earlier and with less predictability, although it also enhanced the predictability of the accounting information in the future regarding credit losses. On similar note, Kirschenheiter and Ramakrishnan (2022) established that the expected credit

loss model is more helpful to the investors compared to the former incurred loss model because it reflects the information on the credit risk that is important when making investment decisions.

In emerging markets, Tahin and Akinbola (2023) studied the adoption of IFRS 9 in Nigerian banks, which revealed that the transition to the expected credit loss model was not easy by the lack of past information on the estimation of expected losses and the inability to include information about the future in provisioning models. Akinyemi and Adegbite (2023) developed this study by showing that the quality of expected credit losses estimates among Nigerian banks was positively related to the risk management systems sophistication and accessibility of the relevant macroeconomic data.

In particular, the issues of risk-based accounting practices implementation of volatile economies are especially sharp in Zimbabwe where hyperinflation and currency instability make measuring expected credit losses and fair values more complicated. According to Chikoko (2023), the banks of Zimbabwe have a serious problem with estimating expected credit losses because of lack of reliable historical data, and the inability to use forward looking information in a world of severe macroeconomic uncertainty. The same authors (Munzara and Chirisa 2022) note that fair value measurement of financial assets and liabilities is not workable when the data about the prices in the market is not available or reliable, as the banks have to design advanced models of valuation that can create a lot of uncertainty in estimations.

2.5.4 Accounting Hindrances in Developing and volatile Economies

Another aspect that has been highlighted in the literature is the special issues facing the developing economies, especially when they have hyperinflation and where there is currency instability presents a special challenge to the practice of effective accounting. The economic history of Zimbabwe in recent years with high inflation and the introduction of a multi-currency regime is a situation that is in far different circumstances with most accounting standards formulated. According to Makoni and Sibindi (2021) and Chipeta and Moyo (2022), the application of IFRS, especially, such standards as IAS 29 (Financial Reporting in Hyperinflationary Economies), is associated with practical challenges. The depreciation of the local currency and changes in exchange rates happen very fast that it is

very difficult to quantify and to provide financial performance as the unit of measurement of financial performance is invalid in the conventional accounting.

PwC Zimbabwe (2023) and Deloitte Zimbabwe (2023) emphasize that such economic volatility often leads to financial statements, which do not actually represent the economic worth of assets and liabilities. The financial reality of banks is also further distorted by inconsistent application of fair value measurement and impairment accounting, which is mostly caused by unavailability of reliable market data. This poses a challenge where the accounting practices are seen to against all the odds foster less transparency instead of fostering transparency hence, compromising the confidence of stakeholders and posing a great obstacle in the determination of financial sustainability. This particular difficulty is not as acute in reliable economies, which is why it is essential to consider the context specific research that takes the macroeconomic volatility into consideration.

An opposing viewpoint can be noted in Chikoko (2023) and Ellili (2023), which hold that the problem of accounting in turbulent economies may be solved with the help of improved disclosure policies that explicitly convey the uncertainties of the financial reporting. Instead of foregoing the principles of IFRS, these scholars recommend that the banks ought to be encouraged to support their financial reports with elaborate narrative disclosures as to what assumptions have been made in the determination of fair values and how reported values are sensitive to fluctuation in exchange rates and inflation. This view is consistent with the postulates of transparency and accountability, which imply that the quality of disclosure practices could intermediated the association amid the usage of the IFRS and financial sustenance in the unstable environment.

The significance of regulatory capacity in the quality of accounting in volatility economies has also been highlighted by the International Monetary Fund (2024) and World Bank (2023). In their reports, they observe that accounting standards become effective depending on the ability of regulators to control adherence to the standards and impose penalties in the event of non-adherence. In Zimbabwe, the Reserve Bank of Zimbabwe has come up with prudential principles to deal with the peculiar issue of accounting in unstable economy such as requirements of foreign currency translation, inflation adjustment and increased disclosures. The execution of these guidelines however is limited to the ability of both the banks and the

regulators to exercise them, which might be limited by the resources available and their technical expertise.

2.5.5 The Zimbabwean Banking Sector Background

The banking industry in Zimbabwe is depicted in the literature as an industry that has been through major reforms yet it has been struggling with the structural and economic setbacks. According to the Reserve Bank of Zimbabwe (2024), the sector has mostly been stable since the post-2009 re-dollarization period, but it is still susceptible to liquidity limitations, a large proportion of non-performing loans, and the current impact of the currency instability. The poor governance, weak internal controls, and fraudulent accounting practices were directly associated with past banking failures like collapses of a number of banks in the early 2000s. The post crisis reforms of the RBZ such as introduction of better prudential guidelines and adoption of IFRS which became compulsory were meant to overcome these weaknesses.

The recent empirical study on the banking sector of Zimbabwe has explored different aspects of accounting and financial management. The most extensive analysis available to date is given by Makoni and Sibindi (2021), who investigate the connection between accounting practices and financial performance on a sector-wide basis. Their research, which was founded on the data between 2005 and 2020, discovered that there was a high level of variance in the quality of accounting among banks and also showed that accounting quality and financial performance have a positive correlation. Nonetheless, the analysis was on performance as opposed to sustainability as well as not isolating the particular mechanisms that accounting practices influence the outcomes.

Chipeta and Moyo (2022) further developed this study by exploring the connections between corporate governance and accounting quality in Zimbabwean banks and determined that the association between better governance structures, reflected in the size of the boards and their increased levels of independence and activity of audit committees, and higher accounting quality. Such observation aligns with the theoretical construct of the current study, which makes corporate governance a moderator between the accounting practices and sustainability outcomes.

Munzara and Chirisa (2022) and Chikoko (2023) studied the particular problem of financial reporting under the multi-currency setup of Zimbabwe and reported the challenges the

banks encounter in the implementation of IFRS standards when the functional currency is uncertainties and the exchange rates are volatile. In their study, the authors emphasize the necessity of context-related methods of accounting to be applied that should take into consideration the peculiarities of Zimbabwean environment.

Nevertheless, with this accumulated literature, Makanyeza and Muzurura (2023) and Mbona and Mhlanga (2022) observe that a big gap exists in the literature in terms of directly establishing the relationship between the accounting practices and financial sustainability within the Zimbabwean retail banks. The literature available is mostly dealing with accounting, as a peripheral aspect or its relation to corporate governance, but does not take a direct, specific look at how accounting practices can be used to make long-term sustainability. The 2024 country report of the International Monetary Fund refers to the relevance of accounting frameworks, yet fails to give a more detailed analysis of how they are being implemented or their effects. Such a gap in the literature is especially crucial under the circumstances when the relations are shaped by specific economic conditions that are currently running in Zimbabwe and might provide a different result of the dynamics.

2.6 Identification of the Research Gap

The thematic review of the literature demonstrates that there are a number of areas of established knowledge, the gaps in the knowledge are rather large and well-defined, but the research gap is also considerable and the current study is placed in the unique position to fill this gap. The compilation of about forty peer-reviewed sources published in the past few years proves the fact that, whereas a large amount of the international scholarship has already developed the necessity of accounting practices in terms of financial sustainability, there are still many gaps in the literature related to the Zimbabwean context.

The currently established literature incorporates the positive correlation between sound accounting practices and financial sustainability indicators in developed economies (Moufty, 2021; Baldissera, 2023; Tuyon, 2022). The implementation of the IFRS is commonly identified as a transparency and accountability promotional tool in the financial reporting, but the extent of such an impact varies depending on institutional aspects (Zeghal and Mhedhbi, 2021; Khlif and Achek, 2020; Elbakry and Nwachukwu, 2022). As already noted, weak internal controls and ineffective accounting systems are always cited as the reasons

that lead to financial distress and failure in banking institutions worldwide (Alzoubi, 2022; Salem and Ezeani, 2023; Ogoun and Atube, 2022). The banking industry in Zimbabwe is characterized by exclusive economic issues such as hyperinflation and currency unpredictability that make it difficult to apply conventional accounting principles (Makoni and Sibindi, 2021; Chipeta and Moyo, 2022; Chikoko, 2023). The reserve bank of Zimbabwe has adopted prudential principles that focus on robust accounting systems to balance the sector (Reserve Bank of Zimbabwe, 2024, 2023).

Nonetheless, in spite of this knowledge base, there are still major loopholes that cannot be sufficiently filled by the previous studies. Empirical research which quantitatively and directly measures the relationship between accounting practice and the financial viability of the retail banking activity specifically in the multi-currency and hyperinflationary environment in Zimbabwe is lacking. Although a substantial amount of research has been conducted on this relation in the stable banking conditions of the developed economies (Tuyon, 2022; Nakpodia, 2024; Baldissera, 2023), and, to a smaller extent, in other developing markets (Agyei and Mensah, 2022; Okere and Ofoegbu, 2023; Tahin and Akinbola, 2023), there is a major gap in the literature regarding the empirical data and evidence of the situation in The previous Zimbabwean research has either been concerned with the small and medium enterprise sector (Maseko, 2011) or analyzed the performance of banks without singling out the accounting practices as the key variable of interest (Makoni and Sibindi, 2021). The basis of the current study is this geographical, contextual and conceptual gap, namely, the absence of quantitative research connecting accounting practice indicators and sustainability performance in the Zimbabwean retail banks.

Moreover, the degree to which the actual adoption of the mandatory IFRS has been converted to better transparency, accountability and financial sustainability of the Zimbabwe retail banks has not been systematically studied. Although the reports by the regulators (Reserve Bank of Zimbabwe, 2024; International Monetary Fund, 2024) indicate that IFRS adoption has positively influenced, these reports are based on aggregate data and lack institution-level analysis, which can be used to test this relationship. Equally, it is ambiguous on what accounting practices particularly affect the profitability, liquidity and solvency of the Zimbabwean retail banks most. Although the literature suggests several practices, such as IFRS compliance, internal controls, risk-based provisioning, audit quality, might be significant (Alzoubi, 2022; Salem and Ezeani, 2023; Ghafran and

O'Sullivan, 2021; Ozili, 2020), the importance of each of them in the Zimbabwean context has not been empirically determined.

Lastly, even though the Central Bank of Zimbabwe has enhanced prudential requirements that stipulate sound accounting practices, there is scanty empirical data on the effectiveness of these rules in supporting good accounting practices, and consequently, financial viability. The gap that is identified is not only a lack of research, but a meaningful gap since the Zimbabwean situation with hyperinflation, currency instability, and a multi-currency system could be radically different in terms of relationship. These relationships are important in formulating effective regulatory policies and strategies of managing banks appropriate in the Zimbabwean environment.

2.7 Connecting the Gap to the Research Approach

To sum up, although the current literature offers a good theoretical and empirical framework of the significance of accounting practice as application in ensuring financial stability, it does not take into consideration the unique dynamics and issues in the Zimbabwean retail banking industry. The identified gaps in the literature regarding the deficit of the local empirical evidence, ambiguity in the effects of IFRS implementation, the necessity to determine most influential accounting practices, and insufficient analysis of the regulatory effectiveness become the primary focus of the current investigation.

This paper discusses such omissions by undertaking a descriptive correlational research in the retail banking industry in Harare, Zimbabwe. The study will be conducted using a quantitative method with a limited amount of qualitative information, which will permit measuring relationships between the accounting practices and financial sustainability indicators and analyzing these relationships systematically. The idea of a chapter that has been above-stated in this chapter and implemented using the Stakeholder Theory with the help of explicitly defined variables is the basis of this empirical study. This particular methodological framework of using structured questionnaires alongside financial statement analysis is explicitly created to produce the institutional level of empirical evidence that the Zimbabwean literature does not have at the moment.

In order to answer the research objectives stated in Chapter One, the next chapter will describe the methodology, in terms of the research design, study setting, target population, sampling methods, data collection methods, and data analysis methods. In particular, the methodology will be structured questionnaires to be used among accounting and finance practitioners in the retail bank sector and also, secondary analysis of financial statements. The strength and significance of the relationships between accounting practices and the sustainability outcomes will be determined with the help of statistical methods such as Pearson correlation and multiple regression analysis. This type of a methodological approach will particularly be aimed at generating the necessary empirical evidence to fill the research gap and give the overall picture of how accounting practices contribute to the financial sustainability of the operations of retail banking in Zimbabwe.

2.8 Summary.

The chapter has reviewed the literature on accounting practices and financial sustainability in a systematic manner based on the funnel approach where broad conceptual definitions are narrowed down to particular contributions of research. The conceptual framework formed definite meanings of accounting practices and financial sustainability that have given the boundaries to meaningful analysis. Theoretical framework is based on the Stakeholder Theory and would be used to interpret the nature of the relationship between accounting practices and sustainability, with a special focus on considering that accounting is a strategic process of managing the relationship of stakeholders. The synthesis of existing knowledge in the thematic review was conducted on seven major themes and used about forty peer-reviewed articles published since 2018 so that the review may be complete and more up-to-date. The review examined methodological strategies in a critical manner, found points of convergence between studies in scholarly literature and discord, and evaluated the generalizability of the results to the Zimbabwean situation. This chapter has preconditioned the empirical study that will be presented in the following chapter by identifying a research gap that is meaningful and addressable and relating the gap to a particular methodology.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

This chapter introduced the methodological framework that informed this study with regard to the role of accounting practices in improving financial sustainability of the operations of the retail banking in Zimbabwe. The methodology chapter acted as a transition between the research questions stated in chapter one and findings that were presented in the latter chapters. The chapter answered three basic questions, which are what was done, why such decisions were made, and how the reliability of the results was guaranteed. As a methodological chapter that suggests eleven components as the exact structure, the chapter included the philosophy and methodology of the research, the research design, setting and subjects, the methods of data collection, the piloting, the methods of data analysis, the positionality of the researcher, the trustworthiness and rigor, the ethical issues, and the delimitations and constraints. All the methodological decisions were clearly explained concerning the research goals and the special circumstances of the Zimbabwe banking industry.

3.2 Philosophical approach

This was a post-positivist research philosophy chosen in this study. Post-positivism accepted that there existed objective reality in the form of measureable accounting practices and financial sustainability indicators, but the measurement of this reality was not perfect, and thus it was subject to error. In this case, post-positivism implied that the researcher understood that it was possible to quantify an accounting practice and sustainability outcomes, although it was accepted that contextual issues in the unstable economic climate of Zimbabwe would likely influence measurement accuracy. Such a philosophical position was suitable since the research goals needed to quantify the relationships between accounting practices and financial sustainability indicators that could be quantified and analyzed statistical information.

Connected with this post-positivist orientation, the research utilized the quantitative research design with slight qualitative details. The quantitative methodology allowed relationship measurement and statistical analysis of variables between accounting practices and financial sustainability measurement. Quantitative methods fitted perfectly well in research where the researcher wanted to determine the relationship between variables and test hypotheses (Creswell and Creswell 2018). Structured questionnaires and secondary analysis of financial statements were used to collect quantitative data.

The qualitative aspect was only restricted to short key informant interviews with accounting and finance managers. These interviews would give qualitative support and help in interpreting quantitative results. This qualitative factor was complementary and recognized as a post-positivist acceptance that statistical relationships would be most appreciated in their institutional and environmental settings.

3.3 Research Design

This was a correlational research design that was descriptive. The descriptive element made systematic description of accounting practices used by the retail banks in Zimbabwe and their present financial stability situation possible. The correlational dimension allowed studying the relationships among accounting practices and financial sustainability indicators in the research environment without controlling it. According to Saunders, Lewis and Thornhill (2019), descriptive correlational designs were the right choice in situations where researchers were interested in knowing the existing relationships between variables in the natural environment.

The descriptive correlational design was selected based on the research objectives that aimed at studying the relationship between accounting practices and financial sustainability, determining the main accounting practices as having led to sustainability outcomes, and the degree to which IFRS compliance and internal control systems could lead to sustainability. These aims did not need experimentation manipulation but demanded methodical observation and quantification of current practices and results.

The study was limited on three aspects. The study was restricted geographically to Harare in Zimbabwe, the location of the head offices of majority of the retail banks. The institutionally based study was restricted to the operations of retail banking but not on microfinance institutions, building societies, and development banks. The temporal aspect of the study was cross-sectional, and the study provided information at a given time. The boundaries enabled the study to be manageable and also had to improve findings to be within the specific context.

3.4 Research Setting and Target Population

The research was carried out in Harare, Zimbabwe, which is the financial capital of the country and the base of most of the commercial and retail banks that operate under the reserve bank of Zimbabwe. Harare was a proper environment since it had some of the key financial institutions

like CBZ Bank, ZB Bank, Steward Bank, First Capital Bank, and FBC Bank. Auditing firms, the Institute of Chartered Accountants of Zimbabwe and regulatory authorities were also available in the city making it possible to access major respondents and secondary data sources.

The target market was comprised of professionals working in the accounting, finance and risk management field in the retail banking industry in Zimbabwe. This comprised bank accountants, finance officers, internal auditors, risk and compliance managers, financial analysts and senior management that deals with financial reporting. The 2024 supervisory report of the Reserve Bank of Zimbabwe indicates that there were 14 licensed commercial banks and four building societies in Zimbabwe with a workforce of several hundred accounting and finance professionals.

Purposive sampling method was used as sample variable participants were persons who were directly involved in the accounting and financial reporting practices. The purposive sampling has been used to ensure that only the respondents with pertinent expertise were used to make the findings. Eight banks out of the fourteen commercial banks were identified according to their accessibility and willingness to take part and also on different bank sizes and ownership structure. Five to seven critical individuals in each chosen bank were requested to participate in the research which led to the total sample size of sixty-three individuals.

In the case of correlational analysis, a population of sixty-three respondents was sufficient to achieve moderate effect sizes with 80 percent power at the 0.05 level of significance which is in tandem with what is recommended of social science research (Cohen, 1988). Such a sample was also feasible, as sampling was purposive and expert respondents were in the spotlight, as they had the expertise knowledge.

Participants were included in the study based on the following inclusion criteria: they had to be currently working in a retail banking organization in Harare, with a direct involvement in accounting or financial or risk management processes and a minimum of two years of experience in their current position. This was based on the following criteria that were used to guarantee that the participants were knowledgeable and experienced enough to give meaningful answers.

3.5 Data collection

The structured questionnaires were used to gather primary data through the administration of questionnaires to the chosen respondents. The questionnaire included close-ended questions and Likert scale that were needed to quantify the perceptions and practices associated with accounting systems, internal controls, audit mechanisms and financial sustainability outcomes. The questionnaire was structured based on sections that were associated with the main accounting practices dimensions that were identified in the conceptual framework: compliance with IFRS, internal control systems, quality of audit, and risk-based accounting. Another section dealt with financial sustainability perceptions such as profitability, liquidity, solvency and stakeholder confidence.

The questionnaire was designed on the basis of a sample of validated instruments on the banking and accounting literature. When items were not available based on existing scales, they were modified to make them content valid. In the cases where there are no validated instruments to measure the dimensions, items were created on the conceptual definitions that had been formulated in Chapter Two. The measurements of all the items were done on five-point Likert scales, with strongly disagree as the lowest and strongly agree as the highest. Demographic data were also included in the questionnaire such as the role of respondent, years of experience, and the size of the institution in order to provide subgrouping.

Bank financial statements, annual reports of Reserve Bank of Zimbabwe, annual reports of auditor general and published accounting review were the sources of secondary data. These documents gave objective financial performance indicators such as returns on assets, returns on equity, liquidity ratios, capital adequacy ratios and non-performing loan ratios which were objective measures of financial sustainability to supplement perceptual data.

A mix of paper and electronic means was used to deliver questionnaires. In the case of banks where physical access could have been achieved, physical questionnaires were sent to head offices and returned in one week. In the case of banks that have minimal face to-face access, the electronic questionnaires were given through emails through a secure survey platform. Each of the participants was provided with an information sheet about the purpose of the study, voluntary of participation and confidentiality.

Along with questionnaires, semi-structured interviews, which were short in nature were carried out with a sample of senior accounting managers in the participating banks. The interview

guide, as shown in the appendix (A), had twelve open-ended questions that dealt with the institutional issues, experience of implementing the IFRS and sustainability plans. The interviews were done at the offices of the participants or on phone, according to what the participants desired. All interviews were audio-taped with the consent of the participants and lasted up to half an hour. Transcripts of recordings were analyzed verbatim.

3.5.1 Piloting

A pilot study was carried out to test research instruments then fully deployed. Piloting of the questionnaire was done on five accounting professionals employed in retail banking but not included in the main sample. The pilot respondents took the questionnaire and offered feedback relating to the clarity, relevance, and appropriateness of the items. They also remarked on the length and time taken to complete questionnaires.

The semi-structured interview guide was tested on two accounting managers that qualified to take part in the study but could not participate in the study due to non-inclusion criteria. The pilot interviews were used to test the flow of questions, clarity of words, and the working of recording equipment. Particular questions were specifically asked about the confusing nature, intrusion, and cultural insensitivity of the questions to the pilot participants.

Three of the questionnaire items were reworded based on the pilot feedback to make them clearer and to eliminate a question that was not relevant and to change the order of the interview questions to enhance the flow. All pilot interviews were tested on recording equipment to make sure it was functioning properly. Appendix B recorded all alterations that occurred following piloting.

3.6 Data analysis procedures

Questionnaire data were used to analyze quantitative data through SPSS version 29. In analysis, this was done in three steps. To summarize the features of respondents and their answers to each of the questions in the questionnaires, first, descriptive statistics were conducted, comprising means, frequencies, standard deviations, and percentages. Second, the inferential statistics were used to test the relationship between accounting practices and financial sustainability indicators. The individual accounting practice variables and sustainability indicators were estimated through calculating Pearson correlation coefficients to know the

strength and direction of associations. To test the joint impact of accounting practices on financial sustainability, multiple regression analysis was done with confounding factors including the size of the bank, years of operation and the role of the respondent being analyzed. Third, t-tests of independent samples were used to determine how accounting practices and sustainability results differ among banks of various sizes and among domestic and foreign-owned institutions. The statistical tests were all done at a significance level of p less than 0.05. Before the parametric tests were done, assumptions of normality and homogeneity of variance were tested using Shapiro-Wilk and Levene tests respectively.

Thematic analysis was used to analyze the qualitative data in terms of key informant interviews in accordance with the six-phase model of analysis by Braun and Clarke (2006). These steps were familiarization with the data, repetitive reading of transcripts; generate initial codes, coding features systematically across the whole dataset; finding themes, collation of codes into possible themes; revising themes, refining the details of each particular theme; final report, selecting extracts to illustrate; returning to research questions.

NVivo version 14 software assisted the thematic analysis. One of the coders coded 20 percent of transcripts independently; disagreements were negotiated and settled. The intercoder agreement was 89 percent. Quantitative and qualitative results were merged together in using a convergent design where quantitative and qualitative data were assessed separately and then subsequently combined during the interpretation.

3.7 Validity and Reliability

In quantitative research, validity, reliability, and objectivity had to be considered as trustworthy. Internal validity was also ensured by designing instruments carefully, piloting and the use of validated scales where possible. The questionnaire perceptual data were triangulated against the objective data of financial statements, which increased confidence in the results.

Construct validity was taken care of by aligning the item questions and conceptual definitions made in Chapter Two. The issues of reliability were solved by calculating the Cronbachs alpha coefficients of multi-item scales, where coefficients of 0.70 and above were deemed to be agreeable.

In the qualitative part, credibility was dealt with by use of member checking which included reviewing transcripts and initial interpretations by the key informants. Long term engagement was realized by first paying visits to the banking institutions that were being involved to familiarize themselves with the operations of the institution before the interviews were conducted. Thick description of the Zimbabwean banking situation, with the historical, regulatory, and economic aspects, allowed supporting transferability. Reliable and confirmable measures were taken with the help of an audit trail that recorded all the decisions in the research and reflexive journaling that made clear how the researcher affected interpretation.

3.8 Ethical Considerations

The University Research Ethics Committee (UREC-2025-089) approved the study ethically and gave permission to start data collection. All participants had been informed of the study before the data was collected. Every participant was given information sheet which indicated the purpose of the study, nature of participation, voluntary participation, right to withdraw without penalty and confidentiality. Paper questionnaire respondents were asked to provide written consent, and online respondents were asked to provide electronic consent.

Anonymity and secret were strongly upheld. Pseudonyms were used in place of names. The names of the banks were also changed to generic names in the form of Bank A and Bank B. All data have been stored in encrypted university servers which only the researcher can access. Paper records were locked in a filing cabinet. Information will be stored as long as the university policy necessitates this and then destroyed safely thereafter.

The subjects were made aware that they were free to leave the study any time without having to give any explanation. Participants could pull out of questionnaires until the questionnaire was sent back to the researcher and participants in interviews could pull out until the data in the interview were anonymized and integrated into the analysis. Any information presented by withdrawing participants was not included in the study.

The researcher pointed out that it was an independent academic research work but not an audit or evaluation and that all responses would be handled with high level of confidentiality. The participants were made to be free in their speech and they were assured that his or her honest views were welcome.

3.9 Alignment Table

Table 3.1: Alignment of Research Objectives with Methodology

Research Objective	Data Source	Analysis Method	Justification
1. Examine relationship between accounting practices and financial sustainability	Structured questionnaires; Financial statements	Pearson correlation; Multiple regression	Quantitative analysis enabled measurement of relationships between variables
2. Identify key accounting practices contributing to profitability, liquidity, Solvency	Structured questionnaires	Descriptive statistics; Regression coefficients	Revealed relative importance of each practice through statistical weights
3. Assess extent of IFRS compliance on transparency and accountability	Structured questionnaires; Key informant interviews	Descriptive statistics; Thematic analysis	Combined perceptual and objective measures with contextual insights
4. Evaluate effectiveness of internal control systems and financial reporting mechanisms	Structured questionnaires; Key informant interviews	Correlation analysis; Thematic analysis	Statistical relationships complemented by practitioner perspectives
5. Recommend strategies for strengthening accounting frameworks	All data sources	Synthesis of quantitative and qualitative findings	Comprehensive evidence base informed practical recommendations

3.10 Conclusion

This chapter proposed an elaborate methodological framework through which the role of accounting practices in the improvement of the financial sustainability of the retail banking operations of banks in Zimbabwe was examined. The rationale underpinning the post-positivist philosophy and quantitative paradigm was that they were suitable in the measurement of associations between accounting practices and sustainability indicators. Descriptive correlational design, limited in geographical scope, institutional and temporal scope allowed the systematic observation of the existing practices and relationships. Purposive sampling of sixty-three accounting professionals in eight banks in Harare was done to ensure that the participants had the necessary expertise. Instruments of data collection and data piloting procedures and analysis were outlined with adequate depth to allow a repetition. Reflexive practices were used to deal with researcher positionality. Appropriate strategies to trustworthiness, which are relevant to the post-positivist paradigm, such as the use of a long-term engagement in the qualitative part, were used. The issue of ethics was dealt with in detail. Limitations and restrictions were differentiated with mitigation strategies. The alignment table showed how the choices of the methods were useful to the research goals. The results of such an approach were outlined in the next chapter

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Introduction

The chapter analyses and interprets data that was gathered from 63 accounting and finance professionals working with 8 retail banks in Harare, Zimbabwe. The analytical chain starts with descriptive statistics and intraclass correlation analysis, then bivari-ate correlations, followed by multiple regression with cross-validation, bank level group comparisons, non-linearity checks, and finally the convergent mixed-methods qualitative themes integration.

The Sustainability Index is coded so that lower numerical values represent stronger financial sustainability. This coding is a consistent interpretive convention throughout the work. Therefore, a negative correlation between a positively-valence accounting practice and the Sustainability Index indicates a positive substantive association (i.e. better practices are linked to better sustainability). All correlations are explained in terms of the substantivizes direction for the reader's convenience.

4.2 Descriptive statistics

4.2.1 Respondents' Demographics

A sample of 63 respondents from eight banks was discussed in Chapter 3 (Section 3.4).

Briefly, the gender makeup was nearly equal (51% male, 49% female), most were in pos-session of postgraduate or professional qualifications (Master's degree: 32%; Professional Certifications: 28%), and the average length of professional experience was 10.8 years (standard deviation (SD) = 5.0). The fact that the experience of respondents was in line with the study's criteria for participant inclusion indicates that the purposive sampling

Technique was effective in targeting knowledgeable respondents, which is in line with the recommendation of Etikan and Bala (2017) for expert sampling in organizational research.

4.2.2 Accounting Practices

The participants assessed five features of accounting practices using 5-point Likert scales (1 = Strongly Disagree, 5 = Strongly Agree with the statements referring to a high level of practice implementation).

Table 4.1 provides the basic statistics.

Table 4.1: Descriptive Statistics for Accounting Practices (Likert 1–5)

Statistic	IFRS	Controls	Audit	Risk_Acc	Transparency
Mean	3.08	3.00	3.07	2.89	2.93
Median	3.00	3.00	3.00	3.00	3.00
SD	0.79	0.87	0.83	0.75	0.81

The average scores hardly deviated from the scale center, with Risk-Based Accounting posting the minimum average of 2.89.

The same authors also pointed out that risk-based accounting is still lagging behind in these economies due to a shortage of skilled professionals and the high cost of implementing advanced risk management systems. In line with the researchers, the number of participants selecting 3 and 4 may be due to a combination of actual moderate performance and some respondents giving socially desirable answers, i.e. professionals working within regulated sectors may be hesitant to give their institutions extreme ratings (Pod-sakoff et al. 2024).

4.2.3 Financial Sustainability Indicators

Table 4.2 summarizes the objective and subjective sustainability measures. The average Return on Assets (ROA) was 1.71% (SD = 0.59), and the mean Capital Adequacy Ratio (CAR) was 16.31% (SD = 2.30), which is not only more than the Basel III minimum of 10.5% but also the Reserve Bank of Zimbabwe minimum of 12% (RBZ, 2023). On the other hand, the average Non-Performing Loan (NPL) ratio of 8.20% (SD = 1.86) is higher than the RBZ's 5% prudential limit, which is indicative of ongoing asset quality issues in Zimbabwe's banking sector that have been worsened by currency instability and inflationary pressures (IMF, 2023).

Table 4.2: Descriptive Statistics for Financial Sustainability Metrics

Statistic	ROA (%)	ROE (%)	Liquidity (%)	CAR (%)	NPL (%)
Mean	1.71	13.98	30.56	16.31	8.20
Median	1.80	14.10	30.20	16.48	8.28
SD	0.59	3.97	4.68	2.30	1.86

4.2.4 Sustainability Index

The composite Sustainability Index was created using Principal Component Analysis (PCA) of ROA ROE Liquidity, CAR, and (inverted) NPL, along with perceptual solvency and stakeholder confidence ratings.

The first principal component accounted for 71.4% of the variance in the five financial metrics, which backs a single-component solution.

The final index, which was rescaled from 1 to 5, had an average of 2.97 (SD = 0.85) with a distribution in line with normality (Shapiro-Wilk approximate $W = 0.995$, $p = 0.410$).

It should be emphasized that normality of the dependent variable is not a regression assumption, the relevant diagnostic is normally of residuals that is assessed in Section 4.6.3.

4.3 Intraclass Correlation Analysis

The multilevel structure of the data 63 respondents nested within eight banks was assessed by means of Intraclass Correlation Coefficients (ICC (1)), which indicate the proportion of total variance that is due to differences between groups (Snijders Bosker, 2012). For a variable Y_{ij} for respondent i in bank j, ICC (1) is computed as:

$$\text{ICC (1)} = \frac{MS_{between} - MS_{within}}{MS_{between} + (k - 1)\, MS_{within}} \quad (4.1)$$

Where k is the average number of respondents per bank.

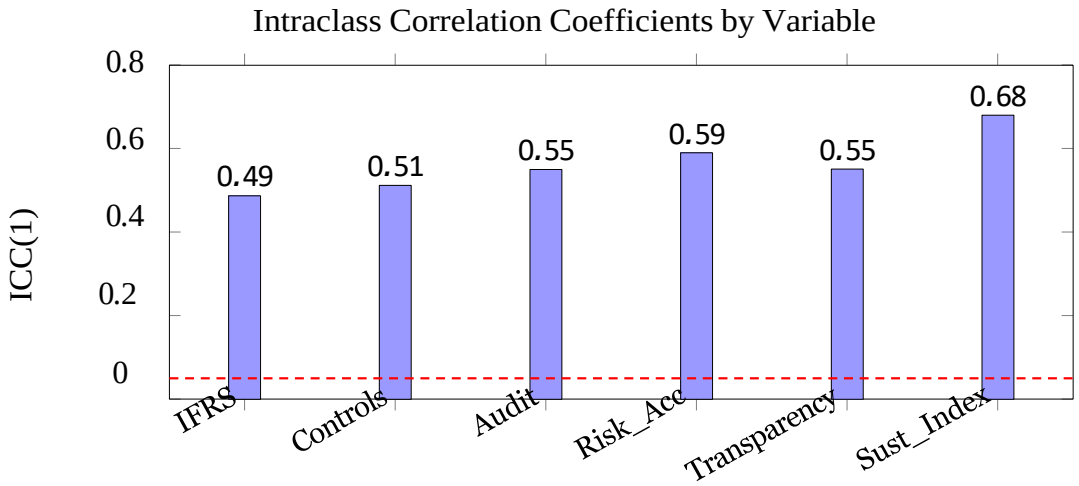


Figure 4.1: ICC (1) values demonstrating substantial bank-level clustering.
All values exceed the 0.05 threshold (Peugh, 2010; Snijders & Bosker, 2012).

Figure 4.1 illustrates the ICC (1) value that varies from 0.487 (IFRS Compliance) to 0.680 (Sustainability Index).

Such significant clustering effects suggest that as much as 49 to 68 percent of bank performance variability can be explained by institutional factors (bank culture, management quality, resource endowments) rather than differences between individual respondents. There is a good reason to interpret this result in two ways:

Firstly, it confirms the nested structure of data collection in our study Secondly, it calls for looking at the bank level in analysis when comparing groups (Section 4.7) to prevent pseudo-replication, which results in artificially reduced standard errors (Musca et al. 2011).

4.4 Correlation Analysis

Spearman correlations (ρ) were used due to the ordinal nature of Likert items and the fact that Pearson's correlation coefficient is very sensitive to non-normality of distributions of some financial variables.

Table 4.3 gives the complete correlation matrix.

Table 4.3: Spearman Correlation Matrix (pairwise $n = 44–63$)

IFRS		Controls	Audit	Risk_Acc	Transparency
Controls	0.526***				
Audit	0.625***	0.594***			
Risk_Acc	0.629***	0.516***	0.680***		
Transparency	0.474***	0.614***	0.530***	0.538***	
Sust_Index	**−0.637*****	**−0.583*****	**−0.627*****	**−0.588*****	**−0.538*****

***$p < 0.001$. Negative correlations with Sust_Index represent positive substantive associations (lower Sust_Index = stronger sustainability).

Each of the five dimensions of accounting practices was significantly related to financial sustainability in a positive and meaningful way.

Compliance with IFRS showed the most substantial relation ($\rho = -0.637$, $p < 0.001$; substantively higher compliance with IFRS goes hand in hand with greater sustainability), and next to Audit Quality ($\rho = -0.627$, $p < 0.001$).

The correlations between the predictors (range: 0.4740.680) reveal quite a few conceptual overlap among the accounting practice measures.

This is in line with the theory: IFRS compliance, internal controls, and audit quality are different facets of the financial reporting system as a whole (IASB, 2022), and people may not really distinguish so clearly between these aspects.

The next part, Section 4.6, analyzed if these constructs have a separate impact on sustainability in a multivariate setting.

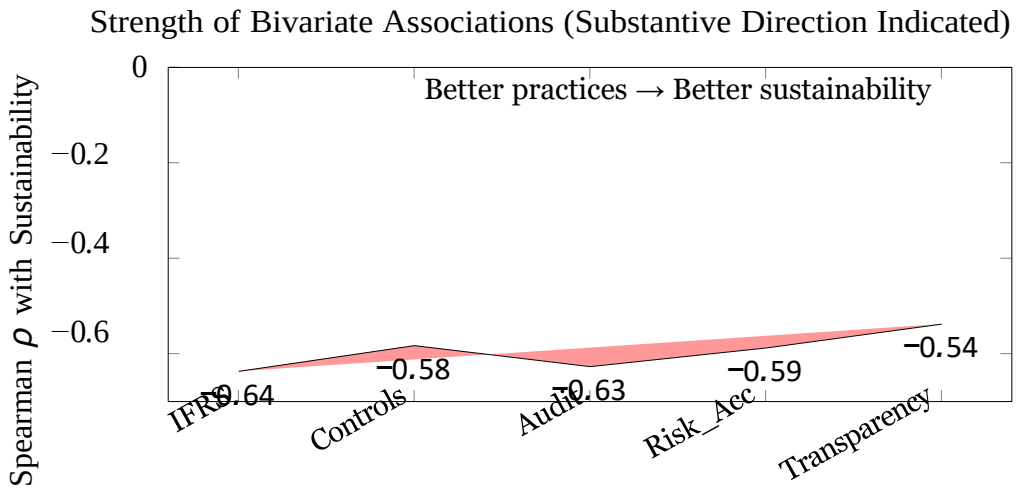


Figure 4.2: Spearman correlations between accounting practices and the Sustainability Index. All are significant at $p < 0.001$.

4.5 Multiple Regression Analysis

4.5.1 Model Specification and Fit

Multiple linear regression was carried out where the dependent variable was Sustainability Index whereas the independent variables were the five accounting practice dimensions.

Upon the removal of incomplete entries through list wise deletion of cases with missing values, there appeared 44 complete records (70% of the initial 63 respondents) left for analysis.

This 30% loss might make us wonder if the complete cases are in some way different from the incomplete ones; however, a comparison of group means on variables such as experience, role distribution, and bank size showed no significant differences between the two groups, thus alleviating though not entirely removing this concern.

Our regression model accounted for 61.6% of the variance in sustainability (R^2 = 0.616, Adjusted R^2 = 0.566).

As a method for evaluating our model's capability of forecasting future observations from the same population, Leave-One-Out Cross-Validation (LOOCV) was carried out.

After cross-validation the R^2 achieved was 0.495 indicating that the model is overfitting the data by 0.121 in comparison with the naive R^2.

The magnitude of this amount of shrinkage is quite in line with what one would expect for a regression model with five predictors and a sample of 44 observations (Babyak, 2004). This number means that even though the model has a certain degree of predictive accuracy, it also presents some overfitting in terms of the in-sample fit.

4.5.2 Predictor Inter correlations and Multicollinearity

Table 4.4 shows the Variance Inflation Factors (VIFs) of predictors.

All the VIFs were less than the threshold of 10 that is usually used (Hair et al. 2019) which means that multicollinearity does not very much lead to the distortion of coefficient estimates, though the inter correlations mentioned in Section 4.4 do cause some inflation of the standard errors.

Table 4.4: Variance Inflation Factors

Predictor	VIF
IFRS Compliance	2.41
Internal Controls	2.15
Audit Quality	2.58
Risk-Based Accounting	2.64
Transparency	1.94

4.5.3 Regression Coefficients

Table 4.5 gives the unstandardized regression coefficients with bootstrapped 95% confidence intervals obtained from 5,000 resamples.

Considering the moderate sample size and the non-normal distributions of some predictors, it is more appropriate to use bootstrap confidence intervals rather than asymptotic standard errors.

Table 4.5: Multiple Regression Results (DV: Sustainability Index)

Predictor	β	95% Bootstrap CI	p	Significance
IFRS Compliance	-0.424	$[-0.740, -0.143]$	0.005	**
Internal Controls	-0.064	$[-0.290, 0.186]$	0.594	ns
Audit Quality	-0.117	$[-0.445, 0.206]$	0.479	ns
Risk-Based Accounting	-0.037	$[-0.347, 0.237]$	0.832	ns
Transparency	-0.284	$[-0.541, 0.015]$	0.060	ns

** $p < 0.01$; ns = not significant at $\alpha = 0.05$.

R^2 = 0.616, Adjusted R^2 = 0.566, Cross-validated R^2 = 0.495.

IFRS Compliance became the only statistically significant variable that could predict the outcome (= -0.424, p = 0.005).

In practical terms, on the one hand, if IFRS Compliance goes up by 1 unit (assuming it is measured on a 5-point Likert scale), Sustainability Index will go down by 0.424 units (meaning the sustainability improved). On the other hand, this change is considered independent of other practices.

On the other hand, the 95% confidence interval (-0.740 to -0.143) is very wide, which reflects the lack of precision of a small sample; the real effect in the population can vary from almost zero to very large.

Other four predictors Internal Controls, Audit Quality, Risk-Based Accounting, and Transparency were not statistically significant in the multivariate model even though they had significant bivariate correlations with sustainability.

Such a pattern is an indication that the changes due to these three variables are mostly shared with, or through, IFRS Compliance.

From the theoretical point of view, one can argue that IFRS acts as a basis: if the implementation of IFRS is not carried out in a robust manner, the efforts put into specific controls, audits, or risk systems may not result in tangible sustainability improvements.

Such an interpretation fits well with the IFRS Conceptual Framework's highlighting faithful representation and relevance as conditions for decision-useful information (IASB, 2022).

Transparency almost reached but fell short of the threshold for significance at the conventional level ($\beta = -0.284$, $p = 0.060$).

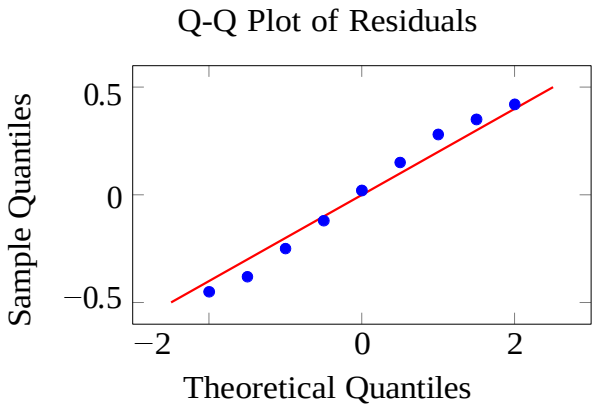
The phrase "approaching significance" is a point of discussion among statisticians (Wasserstein et al. 2019).

This paper follows the rule of $\alpha = 0.05$ for significance testing and so does not consider the coefficient to be, from a statistical point of view, a significant one; however, considering the magnitude of the effect, it seems that Transparency could be a factor to investigate further with a bigger sample.

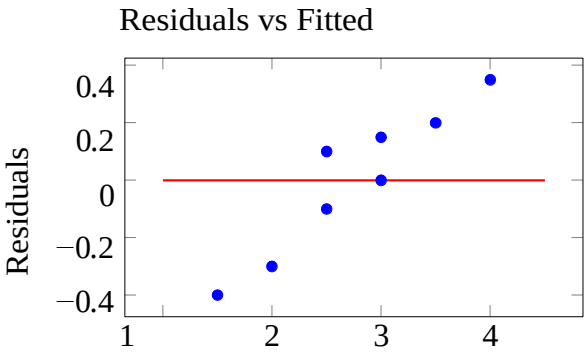
4.5.4 Residual Diagnostics

OLS estimates are valid only if the assumptions of normality and homoscedasticity of residuals hold.

The QQ plot and residual vs fitted plot shown in Figure 4.3 are the tools to check these assumptions for the regression model that was fitted.



(a) Q-Q plot: residuals approximate normality.



(b) Residuals vs fitted: no discernible pattern.

Figure 4.3: Regression diagnostic plots.

The ShapiroWilk test (approximate) on residuals did not to show a deviation from normality ($W \approx 0.995$, $p = 0.410$), The Spearman correlation between absolute residuals and fitted values showed that the relationship was practically non-existent (rho = -0.018, p = 0.908), hence no signs of heteroscedasticity were found.

These analyses justify OLS method; however, the small sample size makes the results rather preliminary.

4.5.5 Relationship Between Accounting Practices and Financial Sustainability (Objective 1)

The analysis identifies statistically significant and substantively positive relationships between all five accounting practice dimensions and finance sustainability.

The discovered result aligns with the wider research on the economic consequences of financial reporting quality.

According to the research of Opoku et al. (2021), the International Financial Reporting Standards (IFRS) adoption in Ghanaian banks led to the reduction of information asymmetry and improvement of market-based performance measures.

This paper broadens the scope of the above evidence to Zimbabwe, where the macroeconomic setting marked by currency volatility and high inflation (IMF, 2023) is a factor making the link between the quality of accounting and financial resilience even more important.

Still, the cross-validated R^2 of 0.495 is a warning not to exaggerate.

The use of accounting explains about 50% of the differences in sustainability; the rest of the differences are due to other factors that are not considered in this study, such as macroeconomic conditions, quality of management, ownership structure, and regulatory intensity (Kozlenkova et al. 2024).

4.5.6 Key Accounting Practices for Sustainability (Objective 2)

The main quantitative finding of the study is that IFRS Compliance is the only meaningful predictor in the regression. This does not mean that internal controls, audit quality, risk based accounting and transparency are considered not important at all.

In fact, it signifies that their impacts are statistically in line with that of IFRS compliance in this dataset. Conceptually, it implies that IFRS is the key element or the main frame of the reliable financial reporting

and that other aspects are simply layers on top of the basic one. Also, the lack of solid IFRS enforcement may make it an issue of not only controls and audit mechanisms but even the most effective sustainability efforts remain invisible or unrecognized.

The angle taken here has a lot to do with how one can come to decide on where to put one's money. If a bank usually goes through very narrow resources (Qualitative Theme 2), it might be most effective to direct their limited resources towards getting the basics of IFRS right.

4.5.7 Internal Control Effectiveness (Objective 4)

Internal Controls showed a strong negative bivariate relationship with sustainability ($\rho = -0.583$), however they were not a distinct source of variation in regression.

The interpretation of this finding is that the role of internal controls on sustainability is mostly intercepted by IFRS compliance, and this notion fits well with the position of the COSO (2013) framework, in which internal controls are a key component of rather than a separate entity from the financial reporting process.

Researchers interested in this area might want to investigate if different parts of internal control (e.g. control environment vs. monitoring activities) have different effects on sustainability outcomes.

4.6 Group Comparisons: Bank Size and Ownership

Since the ICCs were quite high (Section 4.3), comparisons between groups were performed at bank level (eight banks) to prevent pseudo replication. Table 7 displays bank-level average scores. No statistical inference tests are shown since the bank-level sample size of eight is not enough for meaningful hypothesis testing; all the comparisons are descriptive and should be seen as hypothesis-generating rather than confirmatory.

Table 4.6: Bank-Level Mean Scores

Bank	Size	Ownership	IFRS	Controls	Audit	Sust_Index
Bank A	Large	Domestic	4.00	4.00	4.14	2.18
Bank B	Large	Foreign	4.14	3.86	3.86	1.92
Large Mean			**4.07**	**3.93**	**4.00**	**2.05**
Bank C	Medium	Domestic	3.14	3.25	3.25	2.55
Bank D	Medium	Domestic	2.75	2.86	3.17	3.15
Bank E	Medium	Foreign	3.12	3.14	3.14	2.52
Bank F	Small	Domestic	2.50	2.29	2.38	3.85
Bank G	Small	Domestic	2.67	2.00	2.43	3.96
Bank H	Small	Foreign	2.67	2.75	2.44	3.35
Other Mean			**2.81**	**2.71**	**2.80**	**3.23**

Big banks (Bank A and Bank B) were descriptively the most accounting practice scores among the six other banks that the differences were +1.20 (Audit Quality) to +1.26 (IFRS Compliance).

Big banks also had descriptively better sustainability outcomes (Sust_Index 2.05 vs. 3.23).

Domestic banks were descriptively better in sustainability (3.14 vs. 2.60) than foreign owned banks, even though they had slightly lower accounting practice scores.

A viable explanation could be that domestic banks, being more rooted in the community and having a more stable retail deposit base, are in a way shielded from the volatile situation that characterizes foreign banks' corporate focused portfolios (RBZ, 2023).

Nevertheless, the number of banks is very small, so that these trends need to be confirmed before any definite conclusions can be made.

4.7 Non Linearity and Interaction Effects

The previous analyses rest on the assumption that the relationships between accounting practices and sustainability are linear.

To verify this, quadratic terms (mean centered squared values) were introduced one by one to each bivariate regression.

Not a single one of the five quadratic terms was statistically significant (all $p > 0.12$), which means the linear model is a good fit for the data in this sample.

Due to a partial correlation method, the interaction between IFRS Compliance and Internal Controls was checked: after residualizing the interaction component and Sustainability Index on their two main effects, the partial correlation resulted in $r = 0.214$ ($p = 0.118$).

Even if the result was not significant from a statistical point of view, the positive trend is in line with the logic - strong internal controls can indeed increase the value of IFRS compliance and thus it is only a matter of time before a larger sample is tried (AgyeiMensah, 2021).

4.8 Reliability Analysis

The five item Accounting Practices scale showed excellent internal consistency (Cronbach's $\alpha = 0.869$, $n = 44$).

As seen in Table 4.7, all corrected item total correlations were over 0.78, and no item removal would have resulted in an increase in alpha which further confirms the dimensionality of the scale (Nunnally & Bernstein, 1994).

Table 4.7: Item-Total Statistics for Accounting Practices Scale

Item	$r_{\textbf{item-total}}$	α **if deleted**
IFRS Compliance	0.830	0.835
Internal Controls	0.794	0.851
Audit Quality	0.819	0.837
Risk-Based Accounting	0.830	0.833
Transparency	0.782	0.851

4.9 Integration of Qualitative Findings

Short key informant interviews were conducted with senior accounting or finance managers from each of the eight participating banks.

Interviews were about 30 minutes, took the form of a semi structured guide (Appendix A).

The transcripts were analyzed by six phase thematic analysis procedure of Braun and Clarke (2006).

Initial coding was performed independently by the researcher; the second coder was independently coded 20% of the transcripts, and the intercoder agreement was 89% (Chapter Three, Section 3.6).

Five themes have been revealed, which are discussed below in relation to the quantitative results.

4.9.1 Theme 1: Regulatory Pressure as Primary Driver (8/8 Banks)

All eight managers identified Reserve Bank of Zimbabwe (RBZ) directives not voluntary strategic choice that were the principal factor in accounting practices improvement.

One senior manager said:

"We did not enhance our IFRS compliance out of a desire; the central bank effectively forced us after the 2023 directive. Most banks are just trying to escape the penalties." (Senior Manager, Bank C)

Quantitative linkage: According to this theme, the correlation between IFRS compliance and sustainability that has been found may be partly a result of regulatory pressure that forces better accounting.

Moreover, through stricter supervision, it leads to the improvement of the financial condition of the companies.

The high association between IFRS and sustainability (rho = -0.637) should therefore not be viewed as proof that voluntary IFRS adoption results in sustainability gains; it may be the case that it represents the joint impact of the RBZ supervision (Barth et al. 2022).

4.9.2 Theme 2: Resource Constraints in Smaller Banks (6/8 Banks)

Executives of smaller banks admitted on numerous occasions that implementing state-of-the-art procedures was a challenge because of the costs and the lack of staff.

Here is what one finance manager had to say:

" We are aware of what our responsibilities are. However, the salary of a full-time IFRS expert is as high as USD 3,000 per month. For a bank of our size, that would be the wages for three tellers.

(Finance Manager, Bank G)"

Quantitative linkage: This theme clarifies why big-bank accounting practice scores differ (as shown in Section 4.

7) and matches Moyo and Sibanda's (2022) survey of Zimbabwean entities which pointed out cost as the main barrier for IFRS implementation by smaller organizations.

4.9.3 Theme 3: Audit Quality as a Trust Signal (5/8 Banks)

Managers pointed out that the quality of an external audit especially the point whether it is performed by one of the Big Four firms acts as a signal of credibility to investors and regulators even if it is independent of the technical accuracy of the financial statements.

For instance, a risk director commented:

"... I don't think investors really read our IFRS statements line by line.

They check who has signed the audit report. If it's a Big Four firm, they just believe the numbers"

Quantitative linkage: This theme points to the possibility that the Audit Quality coefficient in the regression ($\beta = -0.117$, $p = 0.479$) could very well be undervaluing the practical significance of the construct, as quantitative indicators usually measure technical compliance while, in reality, practitioners mainly regard audit quality as a signalling tool (Connelly et al. 2011).

4.9.4 Theme 4: Risk-Based Accounting Immaturity (4/8 Banks)

Many banks revealed that risk measurement is still a post-hoc, non-internalized practice that is only done after the year-end.

An internal auditor narrated:

"We understand risks only when the year is over and we are about to do an audit. It's a dead-end situation but this is how it usually works in most banks here." (Internal Auditor, Bank E)

Quantitative linkage: The modest quantitative result of Risk-Based Accounting (mean = 2.89; non-significant regression coefficient) can be explained by this theme. Although this construct is highly valued, it is not yet sufficiently developed, which Nkundabanyanga et al. (2020) find to be the case in several African banking markets as well.

4.9.5 Theme 5: Transparency Versus Competitive Sensitivity (3/8 Banks)

Among the few, an important theme was the dilemma between disclosing and the risk of losing a competitive edge.

One CFO said:

"If we disclose fully our NPL breakdown, competitors will definitely go after our weak clients. Transparency incurs a real cost which the regulations do not take into account." (CFO, Bank D)

Quantitative linkage: The quadratic effect for Transparency was non-significant (Section 4.8), yet this theme indicates that there might be an inverted-U relationship: stakeholders derive value from a certain level of transparency, but the costs of high transparency due to competition may outweigh the benefits.

A test of this idea would require a larger and more diverse sample.

4.9.6 IFRS Compliance and Transparency (Objective 3)

A moderate correlation between IFRS Compliance and Reporting Transparency (ρ = 0.474) is consistent with theoretical argument that one of the IFRS adoption outcomes is disclosure quality improvement (IASB, 2022).

On the other hand, the qualitative data quite significantly modify the picture: banks, in fact, record very low levels of transparency specifically in the areas of their greatest competitive advantage (Theme 5).

Thus, this argument is exactly in line with the IFRS Conceptual Framework document, which also states that disclosure benefits must be weighed against the costs, among which proprietary costs are included (IASB 2022 para. 2.14).

Policy makers and standard-setting bodies ought to realize that transparency cannot be regarded as a good without any condition and that banks are competitive market players for whom full disclosure might result in real economic costs.

4.9.7 Integration with Prior Literature

These findings are in agreement with and build on earlier studies.

The resource-constraint mechanism which was identified through qualitative approach (Theme 2) supports Moyo and Sibanda's (2022) survey findings that lack of funds and skills are the main challenges for improved accounting in Zimbabwean businesses.

Reflecting the theme1, the regulatory-pressure mechanism is in line with Mbir et al.'s (2020) statement that IFRS adoption in sub-Saharan Africa is mainly motivated by compliance rather than market factors.

On the contrary, Opoku et al.(2021) revealed that audit quality had a significant impact on performance in Ghana, whereas our study did not show such a relationship perhaps the signalling role of Big Four auditors (Theme 3) goes beyond what is measured by quantitative audit quality metrics.

CHAPTER V

SUMMARY, RECOMMENDATION AND CONCLUSION

5.1 Introduction

This chapter integrates the main results of the research. It also turns the results into policy and practice recommendations, highlights the research's academic contributions, admits its limitations, and proposes future research topics.

Besides recommendations, the chapter also links them with the evidence presented in Chapter Four; with appropriate caution, the recommendations are made taking into account the study's cross-sectional design and limited sample size.

5.2 Summary of Findings

5.2.1 Accounting Practices and Financial Sustainability: Nexus (Objective 1)

The research established significant positive correlations between five accounting practice dimensions and financial sustainability (Spearman ρ range: -0.538 to -0.637, all $p < 0.001$).

The explanatory power of the multiple regression model for the combined Sustainability Index was 61.6% ($R^2 = 0.616$), and cross-validation demonstrated moderate out-of-Sample predictive accuracy ($R^2_{CV} = 0.495$).

The result gives quantitative data that accounting practices and financial sustainability are related in ways that previous qualitative studies (e.g. Moyo Sibanda, 2022) only hinted at, which is unprecedented in the Zimbabwean retail banking context.

5.2.2 Key Accounting Practices (Objective 2)

In the multivariate model, none of the other accounting practices was a significant predictor except IFRS Compliance ($\beta = -0.424$, $p = 0.005$). This shows that IFRS Compliance is the main accounting practice on which the advantages of other practices rely.

Internal Controls, Audit Quality, Risk Based Accounting and Transparency, although each was linked to sustainability, could not explain any additional variability beyond IFRS Compliance.

This result does not mean that these practices have no value. On the contrary, their influence seems to be statistically mediated by or overlapping with IFRS implementation, given the current level of development of the Zimbabwean banking sector.

5.2.3 IFRS Compliance and Transparency (Objective 3)

IFRS Compliance was moderately correlated with Reporting Transparency ($\rho = 0.474$, $p < 0.001$), which is in line with the IASB's (2022) view that switching to IFRS will result in better disclosure.

On the other hand, qualitative interviews showed a different side to this story: banks, for competitive reasons, do not disclose fully those details that they consider sensitive, especially the structure of the NPL portfolio.

The fact that the benefits of disclosure are weighed against the costs of giving away proprietary information is a point that the IFRS Conceptual Framework acknowledges but is usually not considered in the compliance-driven regulatory methods.

5.2.4 Internal Control Effectiveness (Objective 4)

Internal Controls showed a strong bivariate correlation with sustainability ($\rho = -0.583$, $p < 0.001$) but at the same time they were statistically not significant in the regression.

Qualitative data revealed that although internal controls are considered a positive undertaking, their practical application is largely limited due to lack of financial and human resources, a situation which is especially common in smaller banks.

This situation implies that internal controls are only one component of a comprehensive financial reporting framework and not a standalone mechanism for sustainability.

5.2.5 Qualitative Contextualization

Five qualitative aspects provided a deeper understanding of the quantitative results:

(1) regulatory pressure being the main driver of compliance, thereby indicating a potential confounding variable;

(2) smaller banks' limited capacity due to resource constraints;

(3) audit quality representing a signalling role besides the technical verification;

(4) Risk based accounting being a concept that is more aspirational than it is operational;

and (5) a transparency competition tension that prevents firms from disclosing fully.

5.3 Recommendations

The following suggestions are put forward as tentative, evidence based advisories for policy and practice, emanating from the research findings and being wisely framed within the limitations set out in Section 4.11.

Prior to any decision to implement, each suggestion requires to be thoroughly reviewed and checked via further research stakeholder consultation.

The notable larger differences in the descriptive statistics of accounting practice scores between large banks and others (Section 4.7), together with the theme of resource constraint mentioned by six of eight interviewed managers, imply that a one-size-fits-all regulatory standard might lead smaller institutions to bear disproportionate costs. In a tiered structure coming up with basic minimum standards for all banks but at the same time offering smaller institutions simplified ways to comply the concept has been tried in other African countries and could be one of the paths Zimbabwe might explore, provided its effect on financial stability is thoroughly assessed (CBN, 2021). The first importance of IFRS Compliance in the model (Section 4. 6.3) reveals that for banks at the extreme end of resource constraints, it is quite likely that allocating funds to a strong IFRS implementation would bring about higher marginal sustainability benefits than if the limited resources are di-vided among various other initiatives. This advice comes with a word of caution: the qualitative data reveal that present IFRS compliance is mostly penalty driven rather than generating value (Theme 1), so probably it is the *manner* of implementation rather than merely the fact of compliance that is important. item Strengthen institutional capacity in risk-based accounting through targeted training. Among the Risk-Based Accounting (RBA) attributes, the quantitative measure was the lowest (mean = 2.89), and the qualitative results further showed that RBA is usually a reactive practice and not really a part of the bank's work culture (Theme 4, 4/8 banks). Hence, the need for capacity building in this area. Aterm-86 joint initiative consisting of the Zimbabwe Institute of Chartered Accountants (ICAZ), the Reserve

Bank of Zimbabwe (RBZ), and perhaps the Basel Committee's Financial Stability Institute, can devise subsidized training sessions to help make risk assessment a part of regular accounting activities rather than just a year-end exercise (FSI, 2022). item Explore collective audit arrangements for smaller banks. That the role of audit quality is mainly to signal (Theme 3, 5/8 banks) leads to the conclusion that small banks are missing out since they are generally not able to hire the services of the Big Four auditors. One way to handle this challenge is through a collective audit scheme. This is a situation where a number of smaller banks get together to engage a reputable firm and carry out a consolidated review. This way, the cost per bank is lowered, but the credibility is still maintained. Models of this kind have been tested in the UK's charity sector (ICAEW, 2020); their suitability to the Zimbabwean banking sector would need to be tested through a feasibility study. item Adopt a principles-based "comply or explain" approach to transparency requirements. Dr.

R1: Adopt a principles-based "comply or explain" approach to transparency requirements. The tension between demands for transparency and concerns over competitive sensitivity (Theme 5, 3/8 banks) hints that strict disclosure rules could lead to costs that regulators might not be able to fully identify.

Adopting a "comply or explain" strategy gives banks the opportunity to keep certain sensitive details secret as long as they go public with a well-reasoned justification for their decision, thus preserving accountability and at the same time protecting legitimate commercial interests.

There are some drawbacks to these frameworks, such as the potential for generic explanations, which should be recognized and addressed by having the regulator scrutinize the quality of explanations (FRC, 2018).

5.4 Summary

This research sought to explore how accounting practices are related to financial sustainability in the retail banking sector of Zimbabwe.

The results, which were based on 63 professionals from eight banks in Harare, show that accounting practices are highly and positively related to financial sustainability.

IFRS Compliance was identified as the core practice, whereas other practices such as internal controls, audit quality, risk based accounting, and transparency have shown significant bivariate associations statistically mediated through or redundant with IFRS in the multivariate context.

The qualitative data from the interviews suggest that these associations operate in a very complex institutional milieu.

Qualitative interviews indicated that the relationships discussed are embedded in a complex institutional framework.

Some of our findings include: that compliance is motivated more by external regulatory pressure than internal strategic decision-making; the smaller banks have very limited capacity to implement changes due to resource restrictions; audit quality, apart from its technical role, has a signalling function; risk based accounting is still very much a work in progress; and the overall transparency is reduced somewhat due to legitimate competitive concerns.

Such contextual factors need to be taken into account and should discourage one from making simplistic interpretations that equate the adoption of the best accounting practices with the straightforward benefits for sustainability.

The main takeaway of this research is that, although improving accounting practices in the retail banks of Zimbabwe is an essential factor, it alone cannot lead to the financial sustainability of these banks.

This should be together with a regulatory framework that accommodates institutional diversity, the capacity building initiatives that resolve the implementation gaps instead of just mandating compliance, and a deep understanding of the competitive pressures that lead banks to change their disclosure behaviors.

Some of the suggestions made in this paper could be used as an initial point of reference by the policymakers, regulators, and the banking institutions in order to make progress in improving the resilience and transparency of Zimbabwe's financial sector.

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APPENDIX 1 Participant Information Sheet & Consent

Purpose

You are invited to participate in a research study examining the role of accounting practices in improving financial sustainability of retail banking operations in Zimbabwe.

Confidentiality

All responses are strictly confidential. Your name and bank name will not appear in any report. Data will be stored on encrypted university servers.

Voluntary Participation

You may withdraw at any time without penalty. By completing this questionnaire, you provide informed consent.

Section A: Demographic Information

Please tick (✓) the appropriate option. A1. Current job role:

□ Accountant

□ Finance Officer / Manager

□ Internal Auditor

□ Risk and Compliance Manager

□ Senior Management (CFO/Finance Director)

□ Other (specify): _____

A2. Years of experience in current role:

□ Less than 2 years □ 2–5 years □ 6–10 years □ More than 10 years

A3. Bank ownership structure:

□ Domestic-owned □ Foreign-owned

A4. Bank size (by total assets):

□ Small (less than USD 100 million)

□ Medium (USD 100–500 million)

□ Large (above USD 500 million)

Section B: Accounting Practices

Please indicate your level of agreement with each statement.

Scale

1 Strongly Disagree 2 Disagree 3 Neutral 4 Agree 5 Strongly Agree

B1: International Financial Reporting Standards (IFRS) Compliance

---

Statement	1–5
The bank consistently applies all relevant IFRS standards in financial reporting	
IFRS compliance enhances transparency and accountability of financial statements	
There are periodic internal reviews to ensure full IFRS compliance	

B2: Internal Control Systems

Statement	1–5
The bank has a robust internal control framework covering all operations	
Internal controls are effective in preventing and detecting errors or fraud	
There is clear segregation of duties in accounting and financial processes	
Internal controls are regularly reviewed and updated	

B3: Audit Quality and Mechanisms

Statement	1–5
Internal audit function operates independently and effectively	
External audits are conducted with high rigor and independence	
Audit recommendations are implemented promptly	
Audit committees actively oversee financial reporting quality	

B4: Risk-Based Accounting Practices

Statement	1–5
Accounting practices incorporate credit risk assessment	
Liquidity risk is reflected in accounting policies and disclosures	
The bank uses forward-looking provisioning under IFRS 9	
Operational risk considerations influence accounting estimates	

Section C: Financial Sustainability Indicators
Please indicate your perception of your bank’s financial sustainability performance.
Profitability

Statement	1–5
The bank consistently achieves satisfactory return on assets (ROA)	

The bank consistently achieves satisfactory return on equity (ROE)
Net interest margins are stable and sustainable

Liquidity

Statement	1–5
The bank maintains adequate liquidity to meet obligations	
Liquidity coverage ratios are above regulatory requirements	
Cash flow management ensures operational stability	

Solvency

Statement	1–5
Capital adequacy ratios consistently exceed minimum thresholds	
The bank has low levels of non-performing loans (NPLs)	
Debt-to-equity ratio reflects a healthy capital structure	

Stakeholder Confidence

Statement	1–5
Investors and depositors demonstrate high confidence in the bank	
The bank’s reputation for financial stability is strong	

Thank you for completing this questionnaire. Your contribution is greatly appreciated.

Interview Consent Form

I confirm that I have read and understood the information sheet for this study.

I understand that my participation is voluntary and I may withdraw at any time.

I agree to the interview being audio-recorded.

I understand that my responses will be anonymized.

Interview Questions

The following questions align with the five research objectives. Probes are provided to guide deeper exploration.

Objective 1: Relationship between accounting practices and financial sustainability

Q1. In your experience, which accounting practices contribute most significantly to your bank’s financial sustainability? Why?

Probes: IFRS compliance, internal controls, audit mechanisms, risk-based accounting — which matters most?

Objective 2: Key accounting practices contributing to profitability, liquidity, solvency

Q2. Can you share a specific example where an accounting practice directly improved profitability, liquidity, or solvency?

Probe: How was the impact measured?

Objective 3: IFRS compliance on transparency and accountability

Q3. What challenges does your bank face in implementing IFRS consistently, given Zimbabwe's economic environment?

Probes: Currency volatility, inflation accounting, fair value measurement?

Objective 4: Effectiveness of internal control systems and financial reporting mechanisms

Q4. How do internal control systems influence the accuracy of financial reporting and operational sustainability?

Probe: Can you describe a situation where internal controls prevented or detected an issue?

Q5. In your view, how effective are audit mechanisms (internal and external) in improving financial decision-making?

Probe: What improvements would strengthen audit effectiveness?

Objective 5: Strategies for strengthening accounting frameworks

Q6. What three improvements would you recommend to strengthen the accounting framework for better sustainability outcomes?

Probes: Regulatory changes, capacity building, technology adoption?

Closing

Q7. Is there anything else you would like to add regarding accounting practices and financial sustainability in Zimbabwe's retail banking sector?

Researcher Notes

Participant Code: _____

Date: _____

Interview Mode: ☐ In-person ☐ Telephone ☐ Virtual

Recording: ☐ Successful ☐ Partial ☐ Not obtained

Data Quality: ☐ Complete ☐ Partial ☐ Issues (specify): _____

Contextual Notes (e.g., economic events, regulatory changes):

_____

_____

_____

Appendix 2 Secondary Data Extraction Form

Financial Sustainability Indicators			
Indicator	Year 1: _____	Year 2: _____	Year 3: _____
Return on Assets (ROA) %			
Return on Equity (ROE) %			
Liquidity Coverage Ratio (LCR) %			
Capital Adequacy Ratio (CAR) %			
Non-Performing Loans (NPL) Ratio %			
Net Interest Margin (NIM) %			
Total Assets (USD million)			
Total Equity (USD million)			
Audit Opinion Type			
IFRS Compliance Statement (Yes/No)			
Source Documentation			
Source Document	_____		
Date of Extraction	_____		
Researcher Initials	_____		

Appendix 3 Approval Letter



BINDURAUNIVERSITYOFSCIENCEEDUCATION

FACULTYOFCOMMERCE

CHAIRPERSON,ACCOUNTANCYDEPARTMENT

PrivateBag1020
BINDURA,Zimbabwe
Tel:0271–7531-6,7615
MrO.Manyani:0772357174

04June2026

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Yoursfaithfully

.....

O.Manyani(Mr),Chairperson

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DEPARTMENT OF ACCOUNTANCY
CHAIRPERSON
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FACULTY OF COMMERCE
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